

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Tuesday February 22 1983

French car industry:  
a symbol losing  
its shine, Page 12

No. 29,006

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## NEWS SUMMARY

### GENERAL

### Threat to blow up hijacked aircraft

Hijackers threatened to blow up a Boeing 727 with about 160 passengers aboard if Malta refused to allow them to refuel and take off.

Malta's Premier Dom Mintoff, negotiating personally via radio with the three Arab-speaking hijackers, refused them fuel until the passengers were released.

Unconfirmed reports from Western diplomats said the Boeing 727 was carrying Libyan troops to an undisclosed location in Africa.

### Mondale in race

Former U.S. Vice President Walter Mondale entered the 1984 democratic presidential nomination race, Page 4

### Nkomo 'charges'

The Zimbabwe Government may prosecute opposition leader Joshua Nkomo on charges of bringing the police and army into dispute, Page 4

### Ski resort deaths

At least 10 people died and another was missing after a fire at the ski resort of Zao in north Japan.

### Mexican train crash

At least 20 people were killed and 78 injured when a passenger train and a freight train collided near Guaymas in North-West Mexico.

### Mid-air rescue

Building company executive Chris Wells grabbed the controls of a chartered six-seater aircraft and flew for 30 minutes after the pilot crashed out while flying in New Zealand.

### Gandhi in Assam

Prime Minister Indira Gandhi visited the north east Indian state of Assam, where up to 1,000 people were reportedly killed prior to voting in local elections.

### Language penalty

The Paris Opera was ordered by the General Association for users of the French Language to pay FF 1,300 (\$180) in damages for selling a programme in English.

### Japan 'coup plot'

A Japanese opposition member of parliament said the army had plotted to overthrow the Government in 1980 by dropping napalm bombs on the Prime Minister's office.

### Bush fire charge

A second man, John Jackel, 34, was charged with starting bush fires in South Australia.

### Murder bid charge

Daniel Battle faces a charge of attempted murder after he allegedly tried to disconnect his mother's life-support system during a hospital visit in Newark, New Jersey.

### 33-tonne jade stone

A 33-tonne jade stone, nine metres in girth, went on show in Rangoon.

### Briefly...

Landslide killed at least 10 people in Sumatra, Peru.

Earthquake measuring 5.6 on the Richter scale shook the Greek island of Zakynthos.

Iraqi Mujahedin, a previously unknown group, claimed responsibility for five bombs in Karachi.

French customs seized 15 kilos of heroin at Charles de Gaulle airport, Paris, and arrested a Moroccan man.

China's head of state, Marshal Ye Jianying, 85, will retire soon. Page 4

## MINISTERS IN KEY MEETING TODAY

### BUSINESS

### Qatar to go ahead on \$4bn gas plan

BY ROGER MATTHEWS AND CARLA RAPORT IN LONDON

QATAR is to go ahead with development of a \$4bn-\$6bn gas export project in partnership with British Petroleum and Compagnie Francaise des Petroles which will produce 600 tonnes of LNG annually. Page 14

LUCAS CAV of the UK lost a deal to supply General Motors of the U.S. with diesel rotary pumps because of a slump in U.S. sales of diesel cars. Page 6

DOLLAR fell to DM 2.389 (DM 2.389), FF 6.7825 (FF 6.8025), SwFr 1.893 (SwFr 1.898) and Y223.9. Its Bank of England trade-weighted index was 118.3 (119.1). Page 32

GOLD rose \$1 in London to \$566, \$1.53 in Frankfurt to \$564.75 and closed in Zurich at \$564.5. Page 27

STERLING fell 85 points to \$1.534 and to DM 3.675 (DM 3.7025), FF 10.4025 (FF 10.449), SwFr 3.06 (SwFr 3.085) and Y236.75 (Y236.1). Its trade-weighted index was 90.2 (88.7). Page 32

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## EUROPEAN NEWS

## Andropov lays a strong hand on Soviet domestic and foreign policy

WITTS HERE have dubbed the Kremlin "the Andropols." This half-jest reflects very accurately the firm stamp which Mr Yuri Andropov has put on foreign and domestic policy in his first 100 days as the Soviet Union's fifth leader.

With speed and method, he has established himself as an authoritative leader in the world's eyes and moved to stem the drift and cynicism at home which characterised the Brezhnev closing years. His main achievements so far have been:

• To set the Reagan Administration on the diplomatic defensive and to spark debate inside the Western alliance, with a rapid series of arms control proposals. These include a non-aggressive pact with Nato, creation of a nuclear-free zone in central Europe, and a cleverly couched offer to reduce the number of Soviet SS-20 intermediate-range missiles to that of British and French missiles combined.

• To put Soviet workers, managers, bureaucrats on their toes with a vigorous public campaign to root out inefficiency and corruption. Within three months of Mr Andropov's accession to the post of general secretary of the Communist party, industrial output jumped from 100 per cent to 123 per cent in 1982 to a 63 per cent rise in January. That looks suspiciously like confirmation of Mr Andropov's view that the Soviet system has large reserves of productivity to tap.

Not least of his accomplishments was his smooth assumption of power from Mr Leonid Brezhnev. He is the first Soviet leader to become head of the Communist Party thanks, not to his position in the party as such, but to his own institutional power-base in the KGB security service. The politburo has replaced him by Mr Vitali Fedorchuk who, only seven months earlier, had taken over as head of the KGB from Mr Andropov himself.

Mr Andropov promoted his long-time subordinate, Mr Viktor Chebrikov (59), to run the KGB. The changes were partly designed to eliminate rivalry between the KGB and the Interior Ministry.

It was thought Mr Andropov might promptly fill the presidency himself or with his main rival, Mr Konstantin Chernenko. So far, he has lacked the power, or the inclination, to tackle the presidency issue, and the top protocol job continues to be occupied on a caretaker basis by Mr Vasili Kuznetsov, the 81-year-old Vice-President.

Given the advanced age of most members of the politburo, it is only a question of time before Mr Andropov moves to highest reaches of state and public office-making. In the meantime, he has contented himself with making piecemeal personnel changes.

Some of these, such as the appointment of Mr Geydar Aliyev, the Azerbaijan party

boss, to the post of Deputy Prime Minister in charge of weeding out corruption and making the transport system work, may well have been in the pipeline before Mr Brezhnev's death.

But he moved fast to remove Mr Nikolai Strelkov, the 72-year-old Brezhnev protege, as Minister of the Interior, and replaced him by Mr Vitali Fedorchuk who, only seven months earlier, had taken over as head of the KGB from Mr Andropov himself.

By style and temperament, Mr Andropov is not a populist. But his simple, direct style of Russian and the air of competent authority he carries with him appears to have sparked a positive response from a population which expects authority from the top. This does not mean to say, however, that all his moves have been popular.

Sending the militia out into the streets to surround stores, restaurants, baths and other public buildings during working hours to check on the identity papers and work excuses sent shivers of apprehension up many Soviet spines. Signs of a tougher approach towards dissidents and intellectuals, like the historian, Mr Roy Medvedev, and the writer Mr Georgi Vladimirov, and others less known, as well as warnings to directors of cinemas and theatres that they should con-

centrate on uplifting Socialist themes, have also brought fears of an intolerant attitude towards the intelligentsia.

Mr Andropov himself is widely regarded as being intellectually and culturally superior to any of his successors since Lenin. But few people here equate his intellectual capacity with any proclivity to soft-hearted liberalism. He is a man who fully understands the power of ideas, especially if they run counter to the official ideology of the Marxist-Leninist state.

During his 15 years at the KGB Mr Andropov waged an unrelenting struggle against intellectual and political dissidence and largely prevented the increased trade and political contacts with the West which developed out of détente from spilling over into political and social ferment at home.

At the same time, however, his intelligence and access to detailed information about social and economic as well as political and intellectual undercurrents must also have shown him how the rigidities of the bureaucratic economic and political system have contributed to the slow-down in economic growth and the threat which this poses to the military and political strength of the Soviet State.

Injecting greater efficiency

and dynamism into the economy is clearly an over-riding priority. So far, there are few indications that Mr Andropov plans any far-reaching reforms. But he clearly believes that the Soviet economy possesses vast potential scope for higher productivity and greater efficiency.

This must be utilised, he says, not by the investment of huge sums on vast capital-intensive projects, but by better management methods, greater labour discipline, speedier introduction of new technology and the elimination of the more obvious bottle-necks in transport, steel and electric power.

Mr Brezhnev was also a great

one for exhortation. The difference is that he—especially in his last few years—was loath to move even the most obviously corrupt and inefficient officials, while Mr Andropov, with his KGB files and prurient accusations, inspires a fear and respect denied his predecessor.

At the same time, however, the economic problems he has inherited are vastly more important than those of the previous years. Resources are now more distant and more expensive to exploit, while the labour intake is slowing and the military and foreign economic burdens on the Soviet state are much greater. If Mr Andropov's hopes for higher productivity are to be realised, a margin

also has to be maintained to improve, or at least maintain, living standards so as to provide material incentives for effort and achievement.

It is hard to see how these complex problems can be tackled without improvement in the international situation and avoidance of another expensive arms race. Mr Andropov has stated repeatedly that the Soviet Union is prepared to go very far in the search for an equal and balanced arms control agreement at both the INF and start talks in Geneva. He has also re-stated the Soviet interest in a political solution in Afghanistan.

But the really tough decisions on these crucial issues remain to be made. The popular Soviet position is that both Start, by concentrating on land-based nuclear missiles in which the Soviet Union has a superiority, and the INF talks by concentrating on the SS-20 missiles, are trying to effect to force the Soviet Union into a form of unilateral disarmament and to throw away two decades of high military investment. "We are not a move people," was Mr Andropov's public response.

In Afghanistan, too, almost any conceivable political solution would be bruising. In the short term, for Soviet military and political prestige. In the longer term, the Soviet Union could benefit in improved



relations with the Middle East and the Moslem world, as well as with the West.

Decisions of this magnitude and sensitivity can only be taken by a leader in full political control and able to communicate convincingly to the military and other groups that the long-term survival and prosperity of the Soviet Union demands such flexibility.

It remains to be seen whether Mr Andropov is that man. But his early performance over the first 100 days suggests that the Soviet Union has a leader to be reckoned with—even though it is still too early to tell where exactly Mr Andropov proposes to take the Soviet people.

## Rakowski calls on party members to join unions

BY LESLIE COLLI IN BERLIN

POLISH Communist Party members should join and play an active role in them. Mr Rakowski said only 200,000 party members belong to the Im-strong unions, compared with a total membership of more than 2m.

Mr Ciossek said in an interview with a Hungarian newspaper that he understood the reluctance of Polish workers to join the new unions, as they have "burned their fingers twice."

The first time was in 1980, when the former unions failed to accomplish their task, he said. When workers joined Solidarity, he claimed, they found themselves "riding a horse which had suddenly changed direction."

He and Mr Rakowski returned to Poland on Sunday. In the meantime, Mr Stefan Olszowski, the Polish Foreign Minister, began talks in Budapest with Mr Gyorgy Patai, his Hungarian counterpart.

## Hungary seeks more than \$200m from World Bank

BY DAVID BUCHAN

HUNGARY is negotiating to borrow more than \$200m from the World Bank for energy and agricultural projects this year, according to Mr Miklos Pulai, vice-president of its National Planning Office.

It is seeking \$100m to \$110m to help finance energy rationalisation schemes, such as conversion from oil to gas or coal, coal washing, and petrol refining, and a further \$120m to \$130m to improve crop yields and grain storage, said Mr Pulai. He has represented

Hungary on the World Bank board since the country joined it last year.

Negotiations for a third World Bank loan which would improve Hungary's export goods processing industry are less far advanced, he said, and would not be completed until the end of this year.

Partly because of recent devaluations of the forint, Hungary's per capita income is low enough, in dollar terms, to qualify for World Bank loans.

## Peace issue splits church and state in E. Germany

BY OUR BERLIN CORRESPONDENT

A SMOULDERING conflict between the East German leadership and the country's church-inspired peace movement has flared into the open.

The East German Communist Party has been jolted into action by protests from West German peace campaigners following the arrest of young East German peace activists in the city of Jena and by a gathering in Dresden of thousands of young people supporting the movement.

The arrests of the Jena campaigners began last month after a number of them tried to gather on the main city square on Christmas eve for a minute of "silence for peace." They were turned away by the police and subsequently called in for questioning.

Some had previously circulated a "peace paper" calling for a Europe without nuclear weapons, and for a social peace in East Germany for conscientious objectors. Some 14 residents of Jena are said to be in detention.

Members of the West German peace movement, including Frau Petra Kelly, a founder of the Greens ecology and peace party, called on East Germany to release those detained.

Simultaneously several thousand supporters of the unofficial peace movement gathered in the Protestant churches of Dresden last weekend to discuss the Government's policy towards them.

A Dresden youth pastor, Herr Harald Bretschneider, told the young people who packed the Annenkirche that fear of militarisation around the world, "including our country," had led to an "astonishing commitment for peace."

Young men rose to ask the pastor and other churchmen what could be done about the

West Germany is sending an envoy to Moscow this week for two days of talks with Soviet officials on arms control and disarmament, AP reports from Bonn. Herr Friedrich Ruth will leave on Thursday on a trip arranged by Herr Hans Dietrich Genscher, the West German Foreign Minister, and Mr Andrei Gromyko, his Soviet counterpart, during the latter's recent visit to Bonn, Foreign Office officials said.

Herr Ruth is going to the Soviet Union to explain the West German stance on arms control and to negotiate, they said. He has had similar contacts with Poland, Romania, and East German officials.

obligatory marksmanship training in East German secondary schools and about the trials of conscientious objectors not permitted to serve without weapons in "construction battalions".

Several young people also voiced sharp criticism of the church which they accused of backing down in its support of the peace movement.

The East German leadership responded by eliciting testimonies from young Christians who signed a letter to East Germany's letter published yesterday in the main party newspaper *Neues Deutschland*.

The letter began "dear friend Erich Honecker" and noted that East Germany is the first German state "whose policy fully corresponds to youth's struggle for peace and happiness."

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## EUROPEAN NEWS

## Christian Democrat party begins to emerge in Spain

By TOM BURNS IN MADRID

THE CHANCES of the creation of a new, and potentially strong, Christian Democrat party in Spain were greatly increased at the weekend by the dissolution of the former ruling party, the Union de Centro Democrático (UCD).

The new party seems likely to be formed around the kernel of the much smaller Partido Democrático Popular (PDP), which fought last October's election as the junior partner of Sr Manuel Fraga's Alianza Popular.

The probable mechanism for the formation of the new party was the assurance yesterday that high-ranking members of the now-defunct UCD would be given senior party posts in the PDP, which is led by Sr Oscar Alzaga. He is a 40-year-old Madrid University law professor who has built up a successful practice with close international banking links.

Sr Alzaga will be seeking the backing of West German Christian Democratic funds, formerly channelled to the UCD through the Konrad Adenauer Foundation. The German CDU funding of what was then Spain's ruling party is comparable.

## Pires takes over as head of Portugal's CDS party

By DIANA SMITH IN LISBON

SIR FRANCISCO LUCAS PIRES, a 39-year-old lawyer, has been chosen as the new head of the Centro Democrático Social Party (CDS), Portugal's Christian Democratic party.

Sr Lucas Pires succeeds the CDS founder and its most eminent figure, Prof Diogo Freitas do Amaral, who abandoned political life in December, visibly disillusioned with the decline of the centre-right Democratic Alliance (AD), which he established together with the late Sr Francisco So Carneiro, the Social Democrat leader.

As head of the CDS political committee, Sr Lucas Pires—now Minister of Culture in the caretaker Balsemão Government—shares responsibility for the party's direction with Prof Adriano Moreira and Sr Basílio.

## Survey casts doubt on German work myth

By JOHN DAVIES IN FRANKFURT

WEST GERMANS, generally regarded as determined and industrious workers, actually spend less time at their jobs than the French and Italians and much less than the Japanese, concludes a survey made by the Institute for the German Economy.

The institute did the survey in 1981 and has published it just as the West Germans are hotly debating shorter working hours and early retirement as ways of cutting unemployment.

West Germans are supposed to work a 40-hour week, the institute says. But taking into

# EUROPEAN ECONOMY

THE COMMISSION OF THE EUROPEAN COMMUNITIES presents: **EUROPEAN ECONOMY**

This periodical, which appears four times a year in March, July, September and November, is the main source of information on the Commission's analyses of macroeconomic problems and its proposals for their solution. It gives a review of the current economic situation in the E.C. together with reports and studies on problems of current interest for economic policy. It is accompanied by the following three series of supplements:

Series A - Recent economic trends appears monthly, except in August, and describes with the aid of tables and graphs the most recent trends of industrial production, consumer prices, unemployment, the balance of trade, exchange rates and other indicators. It also describes the Commission's macroeconomic forecasts and provides a chronology of economic policy measures in the European Community.

Series B - Economic prospects: business survey results reports the main results (orders, stocks, production outlook, etc.) of opinion surveys of industrial chief executives in the E.C. It also appears monthly, with the exception of September.

Series C - Economic prospects: consumer survey results reports on the consumer survey carried out three times a year (in January, May and October) throughout the European Community (except Luxembourg) and measures consumers' opinion on the economic situation and outlook.

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## Norway may curb power of Statoil

By GUY GIESTER IN OSLO

A NORWEGIAN Royal Commission yesterday tabled proposals that could destroy the power of Statoil, the national oil company, in Norway's offshore industry.

The Conservative minority Government under Mr Kaare Willoch, promised to trim Statoil's wings when it took office in October 1981.

The Commission suggests that large parts of the holdings which Statoil already owns in several licensed areas, including the rich Gulftak oil and gas field, could be transferred to direct State ownership.

In future concessions, a significant share would not be retained by the State, while Statoil's share would not be much larger than that allocated to Norsk Hydro and Saga, the other two Norwegian oil companies. Norwegian companies would always comprise a majority.

Statoil, however, would continue to be responsible for negotiating the sale of state oil, as well as its own. It would also retain the right to negotiate gas sales on behalf of all the partners on the field.

Since 1973, Statoil has received stakes of at least 50 per cent in all Norwegian licence awards, with the right to increase its share up to 80 per cent under certain conditions.

This has given it a decisive voice in field development planning and contract awards and, as new fields come on stream, will give it an ever larger share of total oil and gas income.

The Commission's mandate was to study ways in which this concentration of power in Statoil's hands could be diminished, without reducing the state's total income from petroleum activities.

## Front-bench team named by Haughey

By BRENDAN KEENAN IN DUBLIN

The Irish opposition leader, Mr Charles Haughey, named his front-bench team yesterday. He has rewarded those who supported him in the recent struggle for party leadership, and dropped two former ministers.

However, two of his longest-standing opponents, Mr Desmond O'Malley and Mr Robert Molloy, received the Energy and Environment portfolios respectively.

Mr Haughey can, therefore, claim to be trying to heal the bitter divisions in his Fianna Fail party.

Among the major appointments were: Mr Brian Lenihan (deputy leader), Mr Gerard Collins (Foreign Affairs), Mr Michael O'Kennedy (Finance) and Mr Albert Reynolds (Industry and Employment).

Three former ministers, Mr Ray Burke, Mr Patrick Power and Mr Gerard Brady, failed to receive even a junior portfolio. Mr Brady, however, said yesterday he had asked not to be appointed.

## OECD PRESCRIBES ECONOMIC RESTRUCTURING

# Dutch warned about social spending

By WALTER ELIS IN AMSTERDAM

THE DUTCH Government must take urgent steps to restructure the Netherlands' social and economic systems, says the Organisation for Economic Co-operation and Development. Only if the "explosive" rise in social expenditure is curbed and industrial investment encouraged can the country look forward to economic recovery and lower unemployment in the medium term, the organisation says in its latest survey of the Netherlands.

The survey emphasises repeatedly what is seen as the adverse effects on the economy of the rapid growth of the public sector, especially the explosive rise in social expenditure, which in many ways has reduced the efficient operation of the economy, notably the labour market.

The cumulative effect of improvements in competitiveness are expected to hold the growth in exports this year to 1.5 per cent above the 1982 level and to push up domestic output by 0.5 per cent. Gross domestic product should fall in real terms by 1.5 per cent, compared to an estimated drop of 1.25 per cent last year.

The OECD notes a reversal of the current account deficit in terms of the balance of payments. A deficit equal to 1.5 per cent of GNP in 1980 has turned into a 4 per cent surplus in 1982. This year the surplus is forecast to reach 4.75 per cent.

Part of the reason, however, is the sharp fall in investment in recent years and the stagnation of domestic demand.

The Government is committed to reducing public sector employees and is instituting substantial cuts in social services.

Unemployment, which reached a seasonally adjusted 15.9 per cent last month, is a crucial question for the Government the OECD says.

Even the modest recovery of industrial exports is not increasing jobs but is being absorbed entirely by productivity growth.

No fall in the rate of increase of unemployment is expected this year, and the total of job

## DUTCH ECONOMIC INDICATORS

(Percentage changes, 1977 prices)

	1981	1982	1983*
GDP	-1.2	-1.2	-1.4
Imports	-10.8	-3.9	-1.8
Exports	0.9	0.2	-1.4
Imports	-7.4	-0.2	-0.6
Current acc. (Fb bn)	7.8	16.5	20.0

\*Estimated

Source: OECD

less over the 12 months is forecast at 730,000-750,000.

The survey emphasises repeatedly what is seen as the adverse effects on the economy of the rapid growth of the public sector, especially the explosive rise in social expenditure, which in many ways has reduced the efficient operation of the economy, notably the labour market.

The OECD argues that greater market flexibility is a necessary precondition for industrial recovery, "and this implies that there is a need for greater differentiation between sectors for various groups of workers, professions and branches."

The Government is committed to reducing public sector employees and is instituting substantial cuts in social services. This is applauded by the OECD, which nevertheless foresees problems for a society used to growth and a high degree of state protection in adversity.

The Government has confirmed that this year's budget deficit is likely to reach some F1.40bn (29.7bn), or 13 per cent of national income.

## Dates set for elections to EEC Parliament

By JOHN WYLES IN BRUSSELS

THE EUROPEAN Community's 200m electors will be summoned to the polls between May 17 and May 20 next year for the second direct elections to the European parliament.

The electoral period, however, will be the only deliberately common element as EEC governments have failed to agree on a uniform electoral system and on a franchise to be applied across the Community.

Foreign ministers decided the election period yesterday. It will run from a Thursday to a Sunday and thus accommodate the British tradition of going to the polls on a Thursday as well as continental preference for Sunday.

They also agreed to keep up their efforts to agree a common franchise, although it is too late for national parliaments to pass the necessary legislation in time for the next elections. The aim of the franchise discussions has been to agree a system whereby all EEC citizens are given a vote no matter where they live in the Community.

The problem, however, has been to reconcile some governments' preference for the nationality principle and others for that of residence. At the two extremes, Ireland is totally opposed to allowing its citizens living overseas to vote for Irish MPs, while France does not want to give the vote to EEC citizens living within its borders.

Belgium has been seeking support for a compromise whereby all EEC citizens living and working within a member state would elect that country's MEPs.

Many MEPs fear a sharp drop in turnout in comparison with 1979 when 65.7 per cent of the electorate voted.

## Gibraltar proposal over naval facilities

BY OUR GIBRALTAR CORRESPONDENT

A DEMAND that Britain should pay to use Gibraltar's naval facilities once the naval dockyard is closed down at the end of this year has been made by the Chamber of Commerce on the Rock.

If Western military interests benefit from the base, then Gibraltar is justified in demanding adequate payment for the use of its facilities, says the chamber.

Mr Wilfred Garcia, the chamber's president, told the annual

meeting that Britain either must delay the dockyard closure or underwrite its adverse effects on the Gibraltar economy until it can stand on its own feet with a fully open frontier with Spain.

The British shiprepairing group, A. and P. Appleby, is carrying out a study into the feasibility of converting the naval dockyard for commercial use. If the plans are workable, it says, it would probably be able to re-engage around 700

out of the 1,000 people currently employed.

The company would manage the base on a fee basis with ownership being transferred to the Gibraltar Government. This plan has run into strenuous opposition on the Rock from the main union, the Transport and General Workers' Union, which is hoping to persuade the UK Government to retain the dockyard in Ministry of Defence hands.

The chamber of commerce is also concerned that opening of the Spanish frontier to pedestrians only has produced negative results for the Rock. A large outflow of cash from Gibraltar visiting Spain has not been compensated by a comparable inflow. The Spanish authorities say that the opening has been approved on humanitarian grounds and do not allow goods into Spain. The Gibraltar Government is not impeding the entry of Spanish goods into Gibraltar.

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## OVERSEAS NEWS

## Australian Labor unveils prices, incomes pact

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE AUSTRALIAN Labor Party (ALP) yesterday unveiled its long-awaited prices and incomes agreement with the trade unions as the March 5 general election campaign entered a new and bitter phase.

With only 11 days in which to demolish Labor's commanding lead in the opinion polls, the ruling Liberal-National Party coalition partners launched a concerted attack on Labor yesterday.

In turn, Mr Bob Hawke, the ALP leader, accused Mr Malcolm Fraser, the Prime Minister, of "gross fraud" and "deception" for leaking an incomplete version of Labor's prices and incomes policy. The policy was endorsed by the 155 affiliated unions of the Australian Council of Trade Unions (ACTU) yesterday.

On the stock market, shares sagged in the wake of Saturday's sweeping state election win for Labor in Western Australia, where the swing against the government was an estimated 8.3 per cent.

The All Ordinaries index lost 12.4 points (2.4 per cent) at 504.8, while the Metals and Mining Index fell by 23 points or 4.5 per cent.

The ALP-ACTU prices and incomes policy seeks a concerted attack on inflation and unemployment, and covers wages, non-wage incomes, taxation, prices, and industrial relations.

It proposes price surveillance machinery—but not price controls—as well as a return to centralised wage fixing and the involvement of employers in an economic planning advisory committee.



Hawke... accused Fraser of fraud over leak

## WORLD TRADE NEWS

## Italy wary of joining in A-320 project

By James Paxton in Rome

ITALY DOES not expect to decide for several months whether to join the European Airbus consortium and participate in the proposed A-320 150-seat airliner, but the Government has doubts whether to take a stake would be an economic proposition.

The Italian Government and certain Italian companies are to step up talks about possible collaboration in the electronic, electro-mechanical and nuclear engineering fields. This follows the visit to Paris last week of Sig. Amintore Fanfani, the Italian Prime Minister.

The official Italian view is that, if other conditions were equal, it would prefer to take part in a European rather than an American aircraft project for the new generation of 150-seat airliners, for which the European contender is the A-320.

In practice, Italy is discouraged by the large investment cost of the A-320 project, which is especially high because of the need to develop a new engine.

Furthermore, the national airline, Alitalia, does not at this stage see a need to buy the aircraft, which will not be available before 1990. It recently decided to re-equip its fleet with 30 McDonnell Douglas DC9 series 80 aircraft, and has taken an option on a further 10. These will start arriving later this year.

The largest Italian aircraft manufacturer, the State-owned Aeritalia, works closely with both Boeing (it is a partner in the 767 project) and McDonnell Douglas, and could expect to be involved in the Boeing 7 Dash 7 project for an aircraft to match the A-320.

Sig. Fanfani, who came under strong French pressure to join the A-320 project, told President Francois Mitterrand of France that Alitalia would consider buying some more A-300 wide-bodied aircraft from the Airbus consortium.

Sig. Filippo Pandolfi, the Italian Industry Minister, said at the weekend that French and Italian ministers, and representatives of the Italian electronic companies, Olivetti, Italtel and Zanussi, and the French state-owned concerns, Citec, Alcatel, St. Gobain and Thomson Brandt, will soon meet in Paris, rendering much exist-

THE CONTROVERSY in France over the direction of the Airbus programme underlines the high stakes being played for by both French aerospace and the Government in shaping the future of the airliner consortium.

M. Bernard Lathière, the Airbus Industrie chairman, was forced to call a press conference earlier this month to refute suggestions that the 12-year-old pan-European venture was suffering a terminal illness.

The controversy was sparked by the leak last month of a letter to French government ministers from Gen. Jacques Mitterrand, the chairman of Aerospatiale, the nationalised

aerospace group which is the French partner in Airbus.

The letter — qualified by Aerospatiale as a "technical note" intended to prepare the way for a meeting between French and German civil servants — contained an alarming picture of falling Airbus orders, and blamed Germans and British banks for providing insufficient backing to sell the company's aircraft abroad.

M. Lathière said the missile was a "present" worth millions to rival constructors like Boeing and McDonnell Douglas. The Airbus chief has just returned from a sales trip to Brazil, where already, he said, the letter's publication

was being used by the opposition to "knock" the Europeans.

M. Lathière said the Airbus order book last year registered a net rise of six aircraft (17 sold with 11 cancelled) by Lakes, Airways, Singapore International and Thai Air-

line, not the two reported by Gen. Mitterrand.

The difference between the public statement of M. Lathière and the private (at least in intention) thoughts of Gen. Mitterrand at first sight seems difficult to reconcile.

In fact, the two men seem to be aiming for the same objective, although using different tactics. Both Airbus

and Aerospatiale (which relies on Airbus activities for about 18 per cent of its total sales) are seriously concerned that, with competition for international air sales having risen sharply by the recession, American competitors are stealing a march by offering preferential export credit terms.

Hence M. Lathière's call for a European version of the U.S. Export-Import Bank to facilitate procedures for arranging Airbus export credits. (At present these are made through three different government agencies, Coface in France, Hermes in Germany and Britain's Export Credits Guar-

antee Department in the UK, using funds from three different banking systems).

Hence too General Mitterrand's swipe at German banks — the Airbus lead bank in Frankfurt, Dresdner, is especially pre-occupied with loans to the East-bloc and AEG Telefunken — for giving insufficient support.

Aerospatiale officials point out that following the fall in U.S. interest rates, export sales of American aircraft can be negotiated at cheaper credit costs and over longer loan repayment periods — 12 or 15 years, compared with 10 in Europe — than Airbuses.

The export financing dilemma for Airbus has been further empha-

sised by the dispute which

## S. Korea to ease foreign participation

South Korea will gradually remove restrictions to achieve greater liberalisation of foreign equity investment in the nation's electronic industry and imports of related technology by 1991, according to a Commerce and Industry Ministry plan, AP-DJ reports from Seoul.

Foreign investment in South Korea is currently subject to partial regulations in many cases and imports of foreign technology by Korean businesses require prior Government approval.

Officials said the electronics plan will stress medium-sized computers, video tape recorders, digital integrated circuits, industrial robots and medical appliances.

With the help of liberalisation and other measures, the Ministry hopes to increase the nation's annual electronics exports to \$7bn by 1986 from the present annual level of \$2.3bn, the officials said.

## Singapore talks

British and Singapore civil aviation officials opened talks yesterday in an effort to break an impasse in negotiations for a revision of their five-year-old air services agreement, Reuter reports from Singapore.

Officials at the meeting said the two sides had agreed not to disclose any details of proposals tabled until the talks end on Wednesday.

But it was reported that Singapore would offer to give up passenger rights on three routes out of the British colony of Hong Kong in return for more flights to Hong Kong and London.

## Taiwan cargo line

Taiwan will begin a second cargo shipping service to Europe on March 14, a shipping official said yesterday, AP-DJ reports from Taipei.

An official of the state-run Yangming Marine Transport said it was important for Taiwan to expand its business links with European nations to offset the break in diplomatic ties between Taiwan and the U.S. in 1979.

The new cargo service will involve four container ships travelling to and from Italy, West Germany, the Netherlands, Britain, France and Belgium, none of which has diplomatic ties with Taiwan.

## Airbus Industrie's plans are threatened by customers' short-term needs, writes Michael Donne

## U.S. makers take advantage of Europe's jet lag

BRITISH AIRWAYS' recent decision to seek quotations from U.S. aircraft manufacturers (at least initially) to meet its looming need for up to 20 smaller aircraft seating up to about 150 seats each, rather than consider the projected European Airbus Industrie A-320, highlights the difficulties the European group is having in getting the A-320 for small jets by 1986. It may well consider the A-320 for a later tranche of re-equipment, but like other airlines, they are available, but also because they are cheaper.

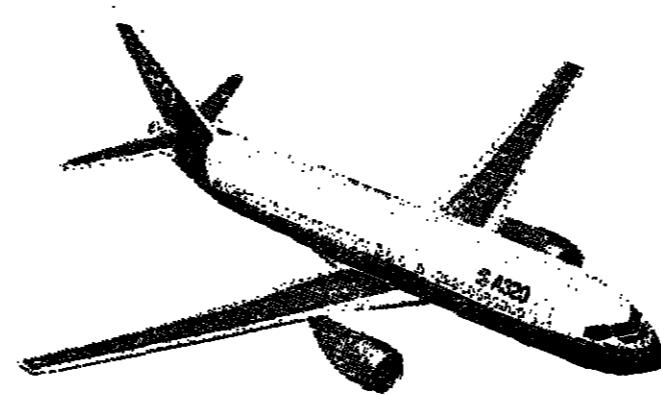
This situation is a frustration to Airbus Industrie, which is anxious to get on with its A-320 150-seater for a variety of reasons.

Its logical desire is to exploit what it believes to be a substantial likely market (perhaps as many as 1,000 aircraft world-wide by the mid-1990s).

It also believes that if Europe wants to stay in the civil airline business at all, it must widen its available choice of aircraft beyond the A-300 and A-310 into a "family" of jets capable of meeting whatever its rivals can offer. The A-320 is the first step forward in that strategy.

Over the past two years or so, Airbus Industrie has been lobbying hard for support from airlines for orders, and for cash aid from the governments of its partner countries — Britain, West Germany and Spain — who are Europe.

So far only the French Government has agreed to support the venture, together with what is described as a "firm" contract from Air France for 25 A-320s. But so far, everyone else has held back.



Airbus A-320: France's partners hold back.

This is largely due to the lack of orders or any significant airline interest, which is making governments cautious about investing the cash for the airframe and engine. They want to see enough orders emerging to ensure a commercial return on their investment before committing themselves. Airbus Industrie's problem is that until the project is launched formally, which cannot happen until government cash is forthcoming, no orders are likely to emerge.

Breaking out of this vicious circle is the biggest task now facing Airbus Industrie, involving much patient negotiation and persuasion of airlines and governments alike.

What

worries Airbus Industrie is that time is slipping away. Originally, it had planned to get the A-320 rolling in time to enter service by 1986 — which would have enabled it to meet the "mini re-equipment tide" to beat the new noise regulations.

But the recession, which has been much more severe for the airlines than anyone imagined, has already forced a slippage to 1988, and Airbus Industrie believes that if there is no major delay, the A-320 might not be in service until 1990.

The European group has other difficulties. One is getting agreement from its existing

and governments alike.

Another is that Airbus Industrie is the subject of further collaborative discussions with Pratt and Whitney of the U.S., Fiat Aviazione of Italy and MTU of West Germany.

With a likely total investment starting at around \$500m on one major commercial aerospace project alone, the UK Government is being understandably cautious.

The British Airways statement that at least initially, it was not looking at the A-320 because it would not be available in time to meet that airline's immediate require-

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## UK NEWS

## Lucas cuts capacity as car diesel deal fails

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE SLUMP in diesel car sales in the U.S. has led to the collapse of a deal between Lucas CAV, the UK diesel engine equipment manufacturer, and General Motors.

Lucas was to have supplied - along with Stanadyne of the U.S. - a highly-developed version of its DPA diesel rotary pump for use in the V6 Oldsmobile engine.

But demand for GM's diesel cars slumped 43 per cent from 305,000 to 174,000 last year and the U.S. group decided it did not need Lucas CAV as a second supplier. Stanadyne will now remain GM's sole source of rotary pumps.

If the contract had gone ahead it would have more than doubled the value of Lucas' diesel engine equipment sold to GM to \$100m a year.

As a result of the failure of the deal, two Lucas CAV factories in the Medway towns of Rochester and Gillingham in Kent will be amalgamated with the loss of 185 jobs.

The deal with GM, the world's

largest motor group, was concluded in the autumn of 1981 when the U.S. company expected its domestic diesel car sales to jump from 200,000 in 1980 to 1m by 1985.

The UK company said the Greenville facility is doing application work for future U.S. diesel engines and manufacturing the Lucas CAV microinjector miniature fuel injection equipment, which GM uses in all its diesel engines. "But output is not what we hoped for."

The Microinjector business with GM was worth around £20m in the best year so far - 1981. As part of Lucas CAV's previous consolidation, the Microinjector plant at Ipswich was closed in July last year with the loss of more than 200 jobs and production switched to Sudbury, also in Suffolk.

Not all Lucas CAV's diesel equipment business, however, is depressed. The French subsidiary RotDiesel has increased output 20 per cent during the past year to cope with demand from Renault, Peugeot and Citroën.

330m engineering and production centre at Greenville, South Carolina, for assembly.

Mr DENNIS CANAVAN, a Scottish Labour MP, was ordered out of the House of Commons yesterday for claiming that Lord Cockfield, the Trade Secretary, would profit from the merger of Charter Consolidated and Anderson Strathclyde, which his department ruled could go ahead.

Mr Canavan demanded that Lord Cockfield should come from the House of Lords to the Commons to answer MP's questions. The minister was, he said, jeopardising the jobs of more than 3,000 Scottish workers. Lord Cockfield had abrogated his ministerial duty "because he happens to be lining his pockets out of shares in a racist company."

Mr Canavan was twice instructed by the Speaker to withdraw his remark. "No one can be an honourable man and a minister and be lining his pockets at the same time."

## MP ordered out of Commons after accusing minister

BY KEVIN BROWN, PARLIAMENTARY STAFF

The Monopolies and Mergers Commission ruled against the merger, but was overruled by Mr Peter Rees, the Minister for Trade, to whom Lord Cockfield delegated the decision. It later emerged that Lord Cockfield owned 2,500 shares in Charter Consolidated.

Mr Canavan demanded that Lord Cockfield should come from the House of Lords to the Commons to answer MP's questions. The minister was, he said, jeopardising the jobs of more than 3,000 Scottish workers. Lord Cockfield had abrogated his ministerial duty "because he happens to be lining his pockets out of shares in a racist company."

Mr Canavan was twice instructed by the Speaker to withdraw his remark. "No one can be an honourable man and a minister and be lining his pockets at the same time."

## Verdict delayed in water inquiry

By Philip Bassett

AN END to the water strike, which was tantalisingly close last night, was again delayed yesterday amid differences over the issues behind the dispute and supposedly between members of the three-man team of inquiry.

The committee had met for a further session, this time seeking both the trade unions and employers' sides as strike action in the water supply and sewerage industry increased.

Mr Bill Keys, the union side's nominee on the committee of inquiry, indicated that there was a considerable difference of opinion between inquiry members.

There had been hopes that the strike would end yesterday once the inquiry had reached its verdict since union leaders had been given powers to authorise a return to work.

## Lloyd's council agrees on disclosure of business interests

BY JOHN MOORE, CITY CORRESPONDENT

MEMBERS of the ruling council of Lloyd's of London, the insurance market, yesterday agreed to make full disclosure of all their business interests to each other.

Sir Peter Green, Lloyd's chairman, told the council that he intended to make full disclosure of his own business interests to the members of Lloyd's whose affairs he looks after.

But the members of the 28 strong council have not drafted a by-law to cover the disclosure of their personal interests. It is understood that working underwriters on the council argued that it would be premature to have their affairs regulated by law before the acceptance of disclosure measures proposed by Mr Ian Hay Davison, the chief executive of Lloyd's.

Mr Davison said that Lloyd's had not decided on the areas of insurance it should be regulating. Although the question of Lloyd's jurisdiction over non-English companies.

GUY DE JONQUIERES ON A NEW GROWTH MARKET

## Tuning in with cellular radio

MR KENNETH BAKER, Minister for Information Technology at the Industry Department, admits that he has been bitten by the mobile communications bug. Since he began using an official car equipped with a radiotelephone, he admits it has become an extension of his office. "The appetite grows with the feeding," he says.

Soon, this convenience will be no longer just a privilege of ministers and senior executives. Cellular mobile radio systems, which are due to start operating in Britain in early 1985, will bring mobile communications within reach of hundreds of thousands of users.

Initially, the cellular networks will allow a vast expansion of the number of car telephones, at present limited to about 20,000 nationwide. Within a few years, however, manufacturers are expected to offer portable telephones, small enough to fit in a pocket or a briefcase. These could be used almost anywhere.

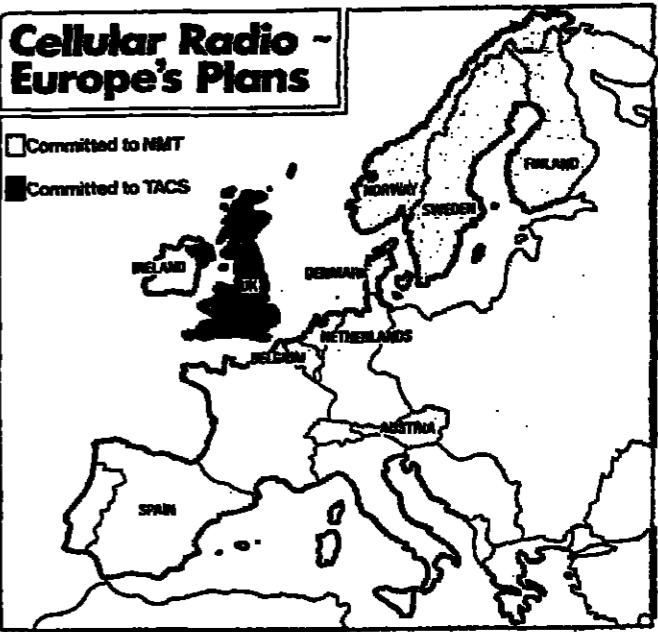
Mr Baker, who yesterday announced a decision on the technical standards for the British networks, expects demand for cellular radio services to produce a vigorous growth market, creating new jobs and investments. He also hopes that this will provide a springboard for exports of British-made equipment and expertise to many parts of the world.

Racial Electronics, leader of a private consortium which will operate one of the new networks, has forecast that by 1990, there will be 500,000 cellular radio users in the UK, generating operating revenues of about £800m, a year. It believes that UK export opportunities could be as large again. The other network will be operated by a joint venture between British Telecom and Seucor, the security services company.

Since the Government announced plans last summer to license the two networks, it has pressed hard for a quick decision on the type of system to be used. It is convinced that by making an early start, Britain has an opportunity to gain an important lead on most other parts of the world.

The only countries with cellular radio systems in commercial service at present are Japan and the four Nordic countries, which operate jointly a network called NMT. Two trial services are operating in the U.S. in Chicago and Washington DC.

The system adopted by the UK after months of intense discussion, and known as TACS, is based on the American AMPS standard. It



was chosen after reviewing half-a-dozen alternatives, including NMT, the Japanese system, West Germany's C-400 design, and MATS-E, a joint project between Philips of the Netherlands and France's CIT Alcatel. The last two systems still exist only on paper. Though AMPS still requires further technical development for use in the UK, it is considered to be best-suited to Britain's needs.

Racial hopes to sell TACS systems to a number of the developing countries to which it already sells defence communications equipment. In Western Europe, Austria, Belgium, the Netherlands, Ireland and Spain have already committed themselves to using NMT, but most of the Mediterranean basin countries have yet to take decisions and are expected to be prime targets for the marketing of TACS.

In prestige terms, however, France offers the biggest prospective prize. The French have indicated in the past - perhaps rather surprisingly - that they would be prepared to follow Britain in its choice of system. But at present, the French appear split over what decision to take.

Mr Jean-Pierre Chevenement, Industry Minister, is said to be leaning towards TACS, with the support of CIT Alcatel (which is preparing to make AMPS systems for the U.S. market) and the Thomson group, the country's two biggest telecommunications manufacturers. But

the Telecommunications Minister, M Louis Mexandeau, is believed to favour adopting the cellular radio system being developed by Siemens and the West German Post Office (the Bundespost).

The arguments seem finely-balanced. One incentive for France to opt for the Siemens system is the possibility that Germany, in return, would agree to support the technical standards developed for France's new communications satellite, Telecom 1. That would greatly increase the potential European market for services beamed via the satellite.

On the other hand, Siemens is not yet ready to deliver cellular radio systems which operate at the 900 MHz frequency which France has set aside for its new radiotelephone network.

Indeed, the UK claims that TACS will be the first commercially available cellular system to operate at this frequency, which is expected to become the standard in most European countries by the late 1980s.

By announcing its choice of system now - despite misgivings on the part of the Foreign Office - the Industry Department apparently hopes to swing the debate in France in favour of TACS. Whether or not it has judged the situation in Paris correctly, it seems certain that political considerations will weigh as heavily as purely technical ones in whatever decision the French make.

### BASE LENDING RATES

A.B.N. Bank	11%	Gulf Gtee Trust Ltd.	12%
Allied Irish Bank	11%	Hambros Bank	11%
Amro Bank	11%	Hargrave Secs. Ltd.	11%
Henry Ansbacher	11%	Herritable & Gen. Trust	11%
Arbuthnott & Co.	11%	Hill Samuel	11%
Amcor Trust Ltd.	11%	C. Hoare & Co.	11%
Associates Cap. Corp.	11%	Hobson & Shand	11%
Banco de Bilbao	11%	Kingsnorth Trust Ltd.	11%
Bankers Trust	11%	Knowles & Co. Ltd.	11%
BCCI	11%	Lloyds Bank	11%
Bank of Ireland	11%	Mallinbank Limited	11%
Bank Leumi (UK) plc	11%	Edward Mansons & Co.	11%
Bank of Cyprus	11%	Midland Bank	11%
Bank Street Sec. Ltd.	10%	National Westminster	11%
Bankers Belge Ltd.	11%	National Westminster	11%
Banque du Rhone	12%	P. S. Reitson & Co.	11%
Barclays Bank	11%	Royal Trust Co. Canada	11%
Beneficial Trust Ltd.	12%	Routledge & Gauntlett	11%
Bremar Holdings Ltd.	13%	Slavenburg's Bank	11%
Brit. Bank of Mid. East	11%	Standard Chartered	11%
Brown Shipley	11%	Trade Dev. Bank	11%
Canada Permut. Trust	11%	Trustee Savings Bank	11%
Castle Court Trust Ltd.	11%	TCB	11%
Carter Ltd.	11%	United Bank of Kuwait	11%
Cedar Holdings	11%	Volkswagen Int'l. Ltd.	11%
Charterhouse Japeth	11%	Westpac Banking Corp.	11%
Citibank Savings	5 1/2%	Whiteway Laidlaw	11%
Clydesdale Bank	11%	Williams & Glyn's	11%
C. E. Coates	12%	Wimhurst Secs. Ltd.	11%
Comm. Bk. of N. East	11%	Yorkshire Bank	11%
Consolidated Credits	11%	Members of the Accepting Houses Committee.	
Co-operative Bank	11%	7-day deposits 8%, 1-month 8.25%, Short-term £20,000/12-18 months 10.6%.	
The Cyprus Popular Bk	11%	7-day deposits on sums of: under £10,000 8%, £10,000 up to £50,000 8.5%, £50,000 and over 9%.	
Duncan Lawrie	11%	Call deposits £1,000 and over 8%.	
E. T. Trust	11%	21-day deposits over £1,000 9%.	
Exeter Trust Ltd.	12%	Demand deposits 8%.	
First Nat. Fin. Corp.	13%	Mortgage base rate.	
First Nat. Secs. Ltd.	13%		
Robert Fraser	12%		
Grindlays Bank	11%		
Guinness Mahon	11%		

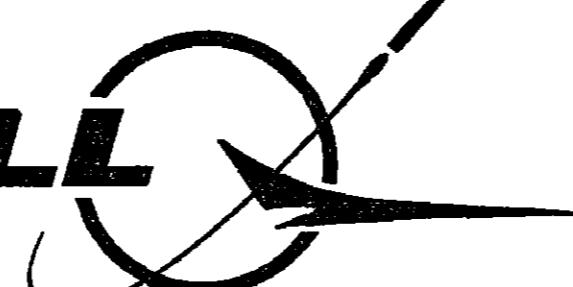
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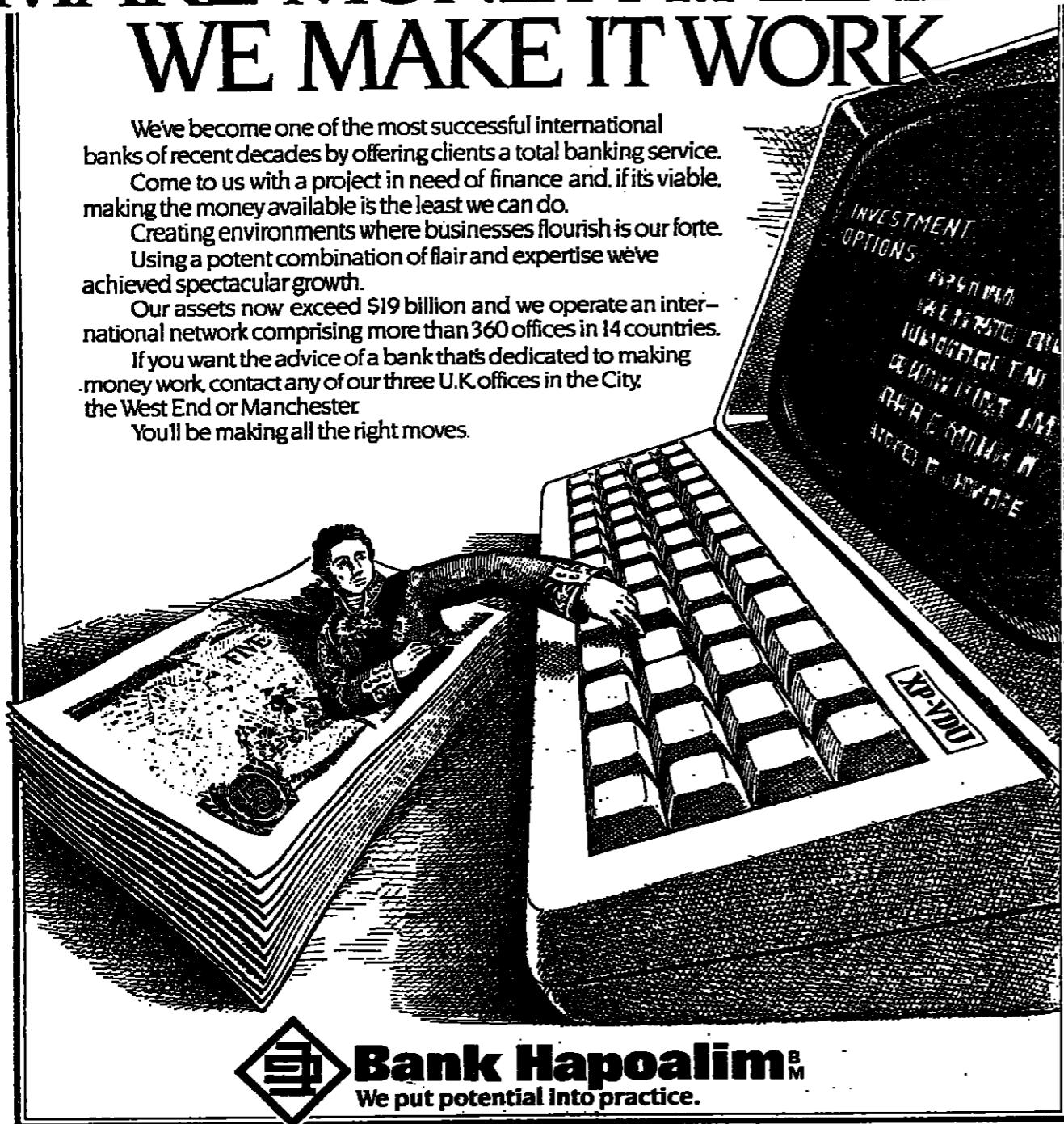
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## Sony and Philips set to launch digital disc

By Elaine Williams

A NEW type of LP audio record - the compact digital disc - will be launched in the UK next month by Sony and Philips. It is the first radical change in design of the LP since the early 1950s.

Last August, Sony and Philips, joint developers of the new disc, delayed its introduction into Europe until the spring because of a lack of suitable material for the disc and an insufficient number of players on the market to meet the expected demand.

The digital audio disc is the audio equivalent of the LaserVision disc introduced by Philips last year. However, the compact disc aims to give consistently high quality sound reproduction. In theory, the discs have unlimited life and are impervious to dust, dirt and scratches.

Each disc is only 12 cm in diameter yet can play up to an hour's music on one side. The music is stored as a digital code in the form of microscopic pits protected by a thin transparent plastic layer. The pits are read by a laser stylus.

Sony has announced that its first disc player will be on sale from March 1 and costs nearly £800. Philips is to announce plans to market two models.

So far only two record companies, Sony-CBS in Japan and Polygram, which is partly Philips owned, are producing the discs. Polygram has invested more than £10m in setting up production at one of its Hamburg plants to make 5m discs a year.

After initial caution, most of the other major record companies have agreed to provide material for pressing at the two existing compact disc plants.

More than 30 equipment manufacturers, including Toshiba, Grundig, Bang and Olufsen, Hitachi and Sharp, have agreed to adopt the compact disc system as a world standard so the problems encountered with video cassette recorders with three standards will not occur.

Sony is producing 10,000 compact disc players a month this year at its factory in Japan to serve both the Japanese and European market, rising to 900,000 players by 1984. When Sony introduced the system in Japan last October it sold 2,000 players during the first week.

## Rolls seeks further 6,000 cut in aerospace labour force

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE is now discussing with the trades unions the scope of further cuts in its labour force at its various sites throughout the UK. The aim is to get the present workforce of about 47,000 down to about 41,000 by the end of this year.

This further cut, following that of about 8,000 in 1982 and of about the same number in 1981, is due both to the continued recession in the world civil airline industry, which has severely cut the inflow of new orders, and to the advance of new technology which is reducing the number of manual jobs available.

The further job reductions are now being discussed in detail, site by site, with individual site directors being given indications of future work loads, to which they will be required to tailor their work force.

At Derby, for example, headquarters of the commercial aero-engine division, the cut this year is expected to be about 2,000, of which about 500 will be shop-floor workers.

• More than 800 workers at the Karrier Motors factory in Dun-

stable and Luton have been laid off because of a strike at a major components supplier.

Production at the two plants which make Dodge trucks has come to a halt because the company has run out of brake parts for its Dodge Commando 100 series.

A large part of the workforce was laid off last week, but some will return on Thursday when the company will continue production of its 50 series trucks which uses different brake parts.

The layoffs have been caused by a five-week-long strike over parity claims by workers at the Hailwood and Ackroyd factory at Morley, near Leeds which manufactures air brake systems.

## Loan to buy ex-Laker aircraft

By ALAN FRIEDMAN

MIDLAND BANK is leading a \$12.6m 10-year syndicated loan designed to help finance the purchase of two A-300 Airbuses from the receivers of Laker Airways. The Midland-led loan is part of a \$90m total loan package for Air Jamaica, the buyer of the ex-Laker aircraft.

Britain's Export Credits Guarantee Department (ECGD) is supplying \$7.4m of credits at an interest rate of 13 per cent per annum. The remaining \$6m is being paid by Air Jamaica as a front-end payment.

The Midland loan syndicate, which is supplying its \$12.6m at an interest level of 1% per cent over the six-month London interbank of-

fered rate (Libor), is comprised of 13 other banks - Societe Generale, Citibank, Bayerische Vereinsbank, Dresdner Bank, Credit Lyonnais, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Banque Francaise de Commerce Exterieur, Creditanstalt Bankvertrieb, Clydesdale Bank, Banque Nationale de Paris and SFE Banking Corp.

Midland's own contribution is believed to be less than \$2m, which is proportional to its \$16m participation in the original \$131m Laker loan provided to buy three A-300 Airbuses.

This sale should reduce the over-

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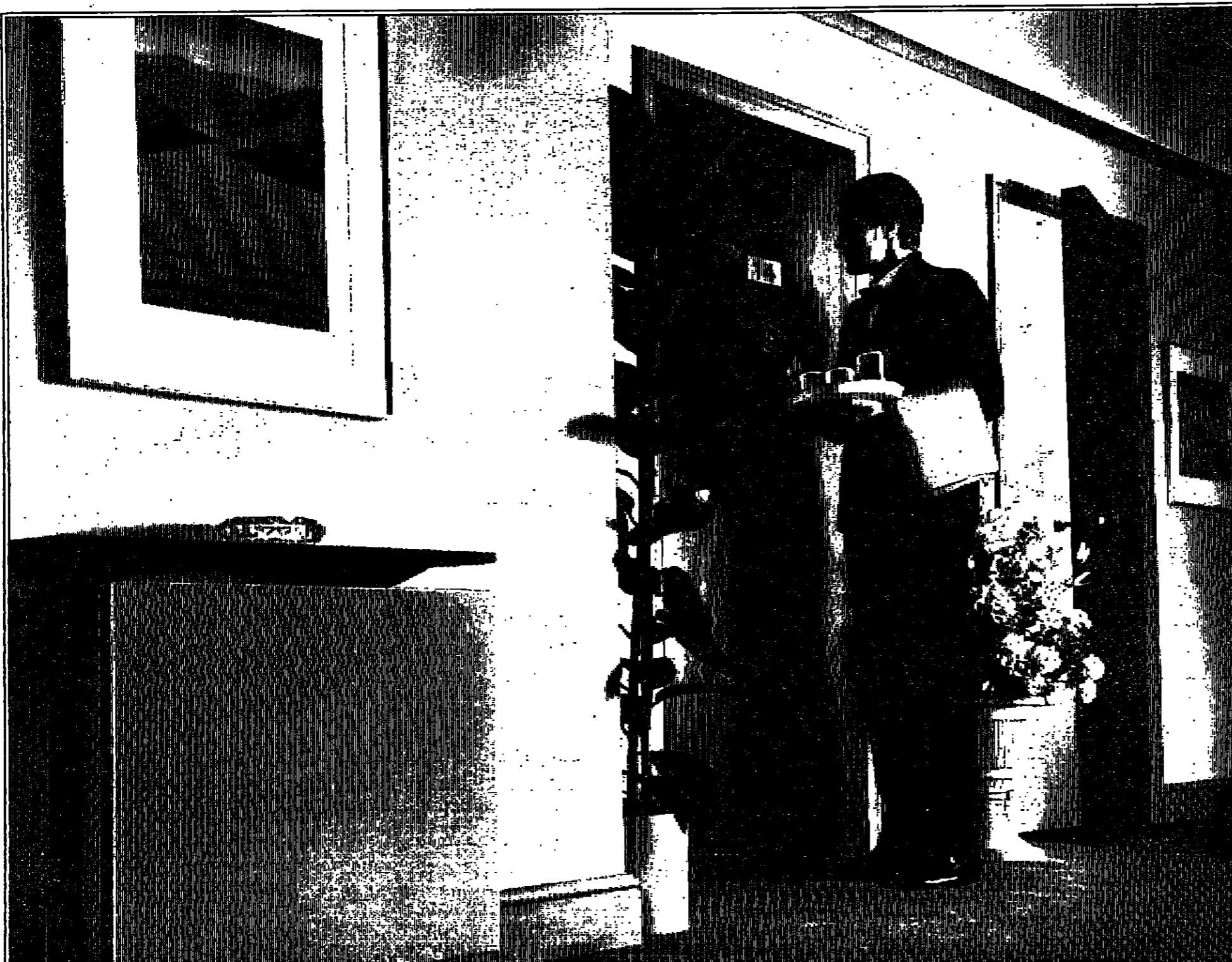
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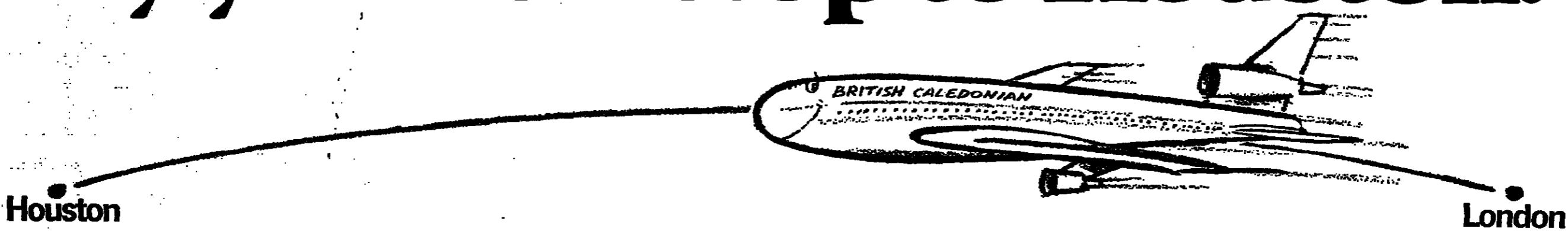
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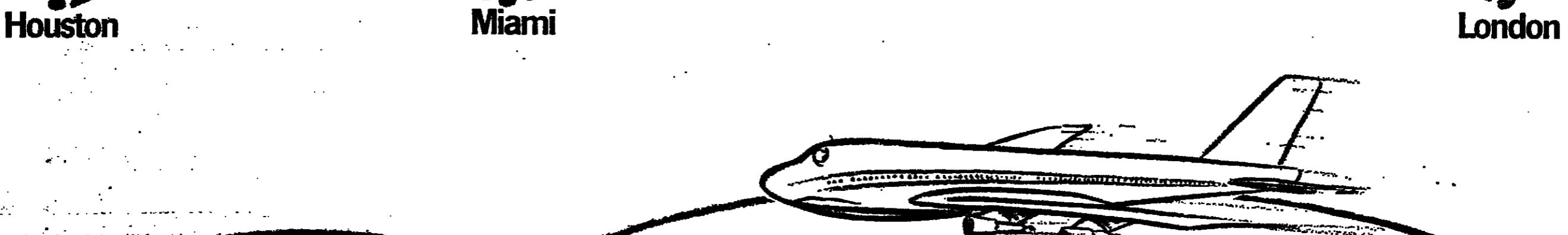
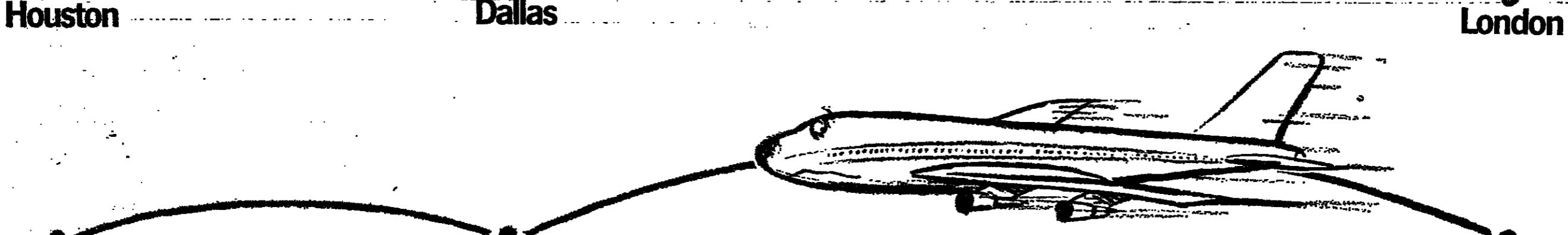
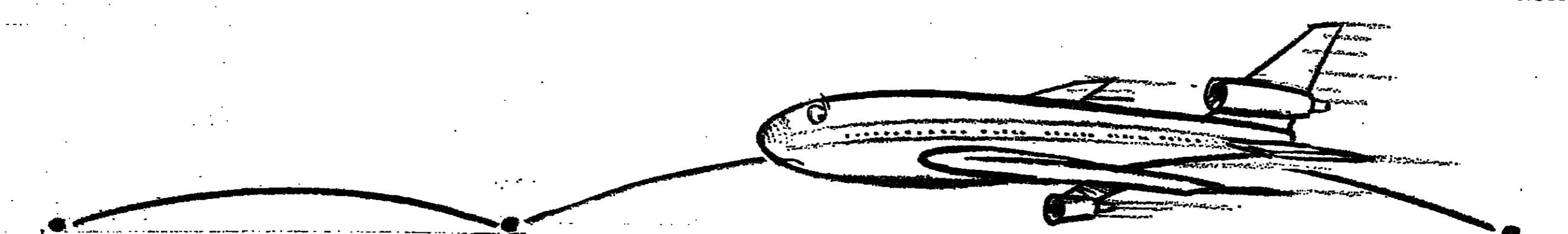
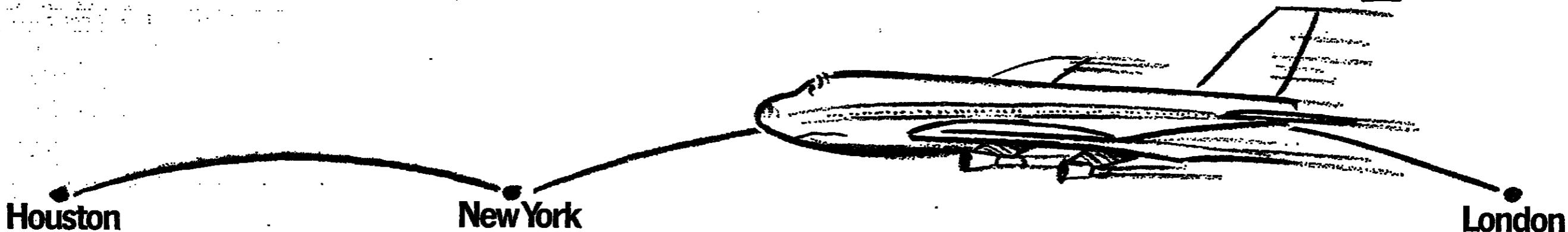
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## INDUSTRIAL CATERING

## How GrandMet is feeding Mexican workers

By William Chislett in Mexico City

AT FIRST sight it might seem an improbable combination: a British company selling Mexican food to the Mexicans, but that is precisely what Grand Metropolitan, the UK hotels, brewing and leisure group, has been doing for the past two years.

It has entered the new and potentially lucrative Mexican market of industrial catering—part of a wider strategy of developing catering markets in Latin America.

The sums involved may be small but the project points up both the long-term potential of Mexico (with its oil exports and 70m population, increasing by 2m a year) and some of the short-term difficulties of operating in the country.

Mexico's debt crisis means that the country—and foreign investors—face at least three very lean years.

Exchange controls, introduced for the first time in September, have greatly restricted the movement of capital—although few companies expect in the present straitened circumstances to have anything to send back to head office in the immediate future.

GrandMet International Services could pull out of Mexico without too much trouble or too high losses. After some doubts it has decided to stay. The reason lies in the very nature of its business: "Whatever crisis a country is under-



This is one of an occasional series on overseas operations of UK companies.

going people will still have to go on eating," said Mr Carlos Monserrat, GrandMet's general manager in Mexico. "Despite the recent turn of events, we do not believe we will suffer. The fact that we are still here speaks for itself. We have confidence in the future."

GrandMet now has 13 contracts, several of them with major Mexican companies such as Cydsa, the petrochemicals group. In October GrandMet served 108,432 meals. By the end of 1982 it expects to be making a modest return on its capital outlay of several hundred thousand pounds. "We will cross the problem of exchange controls when we have something to repatriate," said Mr Monserrat.

GrandMet took a hard look at Mexico in 1978 when the country's oil industry was expanding rapidly and the then Lopez Portillo government was embarking on an ambitious economic development programme.

Foreign business men and bankers alike beat a hasty path to Mexico to offer their services. Total accumulated foreign investment in Mexico increased from \$6bn in 1978 to \$11bn at the end of 1981, but this is still less than 5 per cent of total investment in the country.

GrandMet felt that it should enter Mexico as part of its overall strategy of developing markets in Latin America. At the same time, it started operations in Colombia and Venezuela.

Market research showed that the catering business potential in Mexico was large, particularly in Monterrey, the northern city next to the U.S. border which is the main centre of private sector industry.

At all levels of society, Mexicans spend a fair part of their income on eating out. In factories mass catering is still fairly primitive and the standard of hygiene leaves a lot to be desired. (Not for nothing is Mexico the home of the dreaded Montezuma's revenge). Companies either operate their own catering service or contract the work out to small family concerns which work through the night and deliver the food the

next day in large, often open, pots on the back of a van. The food is then reheated.

GrandMet says it has "revolutionised" such methods in Mexico. It offers a complete package from kitchen designing through to overseeing the construction and managing the catering service. It also offers a regular back-up service and presents its clients with reports on food acceptance, consumption trends and how improvements can be made.

Mexican unions are becoming more demanding about fringe benefits to compensate them for moderate wage demands. Setting up in Mexico was a relatively easy business given that GrandMet is in a service industry, and not a manufacturer which needs to import equipment, find a site, build a plant and run an obstacle course through several ministries to obtain the necessary operating permits. GrandMet set up just four executives to establish a joint venture with Mexican interests. There are now only two expatriates, with a Mexican staff of 175.

The foreign investment law of 1973 restricts participation in a new venture to a maximum of 49 per cent, although the rules are being more liberally interpreted by the new government of President Miguel de la Madrid to attract in much needed new capital and preserve jobs.

GrandMet established an

initial joint venture with various individuals, turned a house in a select and central part of Mexico City into offices and set about selling itself to companies.

The initial tactic was to trade on its name and long experience. The UK arm, GrandMet Catering Services, has some 1,300 contracts. GrandMet was lucky in getting its first contract with such a well-known company as Cydsa, which was looking for a catering company for its new executive headquarters at the same time that GrandMet was eagerly offering its services.

"They decided to give us a chance and we have not looked back," said Mr Monserrat, who speaks fluent Spanish and has an Anglo-Spanish background.

In December the company moved out of its first offices into those of a major Mexican catering company with which it is forming a new joint venture. The link-up will give it a further 32 catering contracts.

It has only one foreign rival, the French company Eurest, which came to Mexico more recently and does not appear to have established itself well.

GrandMet has introduced international catering methods to Mexico but its cuisine is Mexican down to hot chili sauces. However, it also offers occasional buffets where international dishes such as goulash are served. These buffets have gone down well. "We try to

break the monotony. A work force which only eats tacos (a stuffed corn pancake) is not going to work as well as one with a more balanced diet. We try to educate workers to vary their diet."

If international catering in Mexico is a novelty, site services, which GrandMet also offers, are virgin territory. Mr Monserrat, who worked on site services in the Middle East, North Africa, Portugal and the U.S., said he was amazed when he came to Mexico to find that such a concept did not exist.

Makeshift slum camps spring

up around construction sites with workers living in shacks or sleeping in a hammock between palm trees. There is no organised camp for the work force. Catering, such as it is, is provided by local street vendors. Not surprisingly, notes Mr Monserrat, in a situation where everybody has to fend for himself the turnover among workers is high, crime increases and often the work is not finished on time. These factors contributed to long delays on construction of a state steel mill at Lazaro Cardenas, on the Pacific Coast.

GrandMet offers turn-key camp projects and sees a big market for them in Mexico if it can sell the idea that it pays to have a contented workforce.

As soon as the new Government has defined its priorities and decided which projects began in the past free-spending administration will be scrapped and which will be finished, GrandMet intends to start knocking on the doors of the public sector.

## INTERNATIONAL APPOINTMENTS

## Senior post at Kaiser Aluminum

• KAISER ALUMINUM AND CHEMICAL CORP has appointed Mr John D. Miller to the newly created position of vice-president, international activities, for its aluminum division. He will be involved with Kaiser Aluminum's subsidiaries and affiliates in Australia, the UK, West Germany, Ghana, Bahrain, and India. He will be based in Oakland, California. For the past five years he had been based in Sydney as managing director of a subsidiary company, Kaiser Aluminum Australia.

• Mr Thomas G. Maxfield, III has been elected a president of WHITTAKER CORP, L.A. He has also been appointed group executive in charge of metals operations, succeeding Mr Edward J. Howey, who is retiring from full-time employment. He will continue as president of Whittaker Industries, a Whittaker-managed partnership.

• Mr Frank Bregar, vice-president—finance and treasurer of SANTA FE INDUSTRIES, INC. and vice-president—finance of SANTA FE RAILWAY, has resigned to pursue other opportunities. He joined Santa Fe Railway in 1968 as assistant general auditor. He was named senior assistant controller of Santa Fe Industries in 1971, vice-president and controller in 1973, vice-president—finance and treasurer in 1981 and also vice-president of finance for the Railway in 1981.

• AMERICAN BANK NEW YORK CORP's board has proposed four new members for election at the annual meeting on April 27. They are also being proposed for the board of Chemical Bank, its principal subsidiary. The prospective board members are Mr A. Paul Funkhouser, president of CSX Corp., and the three senior executive vice-presidents of Chemical New York and Chemical Bank: Mr Robert J. Calander, Mr Thomas S. Johnson and Mr Robert L. Lips.

• Mr Richard P. Thomas has been appointed division counsel for ASHLAND PETROLEUM COMPANY, Kentucky. He will manage the legal activities for Ashland Petroleum, counsel management on legal issues and provide interpretation of local, state and federal regulations affecting petroleum operations.

• AMERICAN SECURITY CORP. has nominated two members to its board for election at the annual meeting in April. The nominees are Mr Oliver T. Carr, Jr., president of the Oliver T.

Carr Company, and Mr Richard F. Schubert, president of the American Red Cross. Mr Carr is a director of the Greater Washington Board of Trade, a Trustee of Meridian House International, and a member of the Federal City Council. Before joining the Red Cross in January of this year, Mr Schubert was employed by Bethlehem Steel Corp.

• Mr Randolph Richmond has been named president of ICL, INC., the U.S. subsidiary of the UK company, International Computers. He has also been appointed divisional director of the parent company's newly-created North American division. In these positions, he will direct marketing, service, manufacturing and development activities in the U.S., Canada and Japan. Mr Richmond joins ICL from Chromatics, Inc., an Atlanta computer manufacturer, where he was president.

• Mr Russell F. Smith Jr has been appointed assistant treasurer of CE LUMMUS, a unit of Construction Engineers, Inc. Mr Joseph J. Barbis has been appointed director of the management systems department of LUMMUS GROUP, INC. He will be responsible for all computer aided technical systems, business management systems, project management systems, and computer office systems.

• Mr Yoshiro Konikisa, European managing director of OLYMPUS OPTICAL CO. (EUROPA), is returning to Olympus Tokyo to expand a new area of operations. His position in Hamburg has been filled by Mr Zenjiro Okuda.

• Mr Gareth Davies will be returning as trade policy counsellor and head of the EUROPEAN CONFERENCE OF CHEMICAL MANUFACTURERS' FEDERATIONS (CECIF) economics department on March 1. He will be succeeded by Mr Michael C. Cockburn. Mr Davies joined ICI in 1950. At the time of his appointment to CECIF he was tariffs and trade manager at the company's head office. Mr Cockburn is petrochemicals marketing manager for ICL in southern England.

• Mr Ludwig Katherlein has been appointed deputy managing director (vice-president) of the Euromissiles Joint Venture as successor to Mr Friedemann Stieglitz. He has also been appointed administrator for the Euromissiles Dynamics Group. The Franco-German G.I.E. Euromissile was set up in 1972 by the Societe Nationale Industrielle Aerospatiale and Messerschmitt-Bolkow-Blohm to contract for and market missile systems to be jointly developed by the two companies.



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Tuesday February 22 1983

## Country risk in money markets

**BRAZIL'S STRUGGLE** to restore foreign exchange money market deposits to branches of its banks abroad has now reached a crucial stage ahead of next week's International Monetary Fund board meeting. This is expected to approve loans totalling \$4.5bn (£3bn) to help the country through its \$83bn debt troubles.

The IMF has always attached particular importance to the money market aspect of the Brazilian rescue package—in addition to some \$4.5bn new medium-term refinancing of \$4bn in maturing debt and the maintenance of short-term trade credit lines. The money market element has proved the most difficult and even at the weekend Brazil was still some \$600m short of its target for money market deposits.

Indications from both Washington and New York are that the IMF and Brazil intend to carry the struggle to its bitter end. Pressure is likely to increase on those institutions which have not yet restored money market lines. It will be applied bank-by-bank through direct appeals to the chairman.

### Answer

This is in contrast to the other parts of the rescue package which have been broadly complete for two or three weeks. Why has the money market part of the package proved so difficult?

Part of the answer lies in a general phenomenon that had built up in the Eurocredit market until the Mexican debt crisis exploded last August. Banks from developing countries entered the market in increasing numbers, setting up branches in international financial centres which were used to fund roll-over credits to their customers at home.

Brazilian banks were in the forefront of this process. They were playing an integral role in financing the Brazilian balance of payments deficit. Yet in the money markets from which they drew their funds they were not fully perceived as being part of Brazil's debt exposure.

The money markets preferred to leave the question of country risk to bankers involved in the medium-term capital markets. Their own assessment of risk was based much more closely on the track record of each individual borrowing bank to be high.

## Such gentle Committees

ONE OF the most valuable reforms introduced under the present Government was the creation of Select Committees of the House of Commons directly related to Ministerial Departments. There had been Select Committees before, but never the provision for such systematic shadowing and questioning of individual ministers.

The reform was by its nature experimental. It would have been impossible to have got the new structure right overnight and it was always understood that there might have to be changes.

More than three years on is an appropriate time to take stock, as a report of the Liaison Committee, which includes the chairmen of all the Select Committees, has recently done. By and large, the worst fears of the traditionalists who opposed the new system have not been fulfilled. The Committees have not led to any massive derisions from the floor of the House of Commons. Nor have they made the lives of Ministers and officials impossible by excessive demands on their time. On the contrary, they have elicited information which is then quite frequently debated and referred to by the whole House.

### Hopes

Yet the Committees have not fulfilled the best hopes of the reformers either. At the beginning it was standing room only for the appearance of the Chancellor of the Exchequer with a lot of people failing to get in. A few weeks ago Sir Geoffrey Howe failed even to fill the Press seats. Too much deference may be one reason. The more elevated the witnesses, it seems, the gentler the questioning. And if MPs do not want to take advantage of the opportunities offered to press Ministers and officials, there is very little that the rest of us can do about it.

There are, however, further reforms that might help, some of them proposed by the Liaison Committee. Its report points out, for example, that the Central Policy Review Staff or

After more than ten years as the flagship of French industrial success, the car industry—now in the throes of another dispute—has become a symbol of its sagging competitiveness.

Renault (sixth largest producer in the world) and Peugeot (seventh) have both been making heavy losses. The car industry's surplus on external trade has been shrinking fast. Labour costs, boosted in part by new government measures over longer holidays and shorter working hours, have been rising far faster than gains in productivity.

Since last year car plants in the Paris region have been hit by a series of strikes that reflect the new militancy of immigrant (largely Moslem) labour and the fears of the impact on jobs of increasing automation. Margins have suffered from the four months' statutory price freeze last year and from periods in which the franc has been overvalued, particularly against the Deutsche Mark.

These difficulties come at a time when French manufacturers are facing more intensive competition in slack markets from European, Japanese and American rivals. They also coincide with a moment when French manufacturers should be driving maximum gains from the heavy investments they have made in recent years.

The Peugeot group (which includes the Citroen and Talbot marques) has just brought out the new Peugeot 205 and the Citroen BX. Renault has just launched the new R11. Both should have arrested here to standardise engines and gear boxes. In this sense, they have so far proved to be the exception to the failure—blamed by the present Socialist administration on its predecessors of French industry to modernise itself sufficiently in recent years.

What makes the car industry's problems of national importance is the central place it holds in the national economy. Directly or indirectly one in ten workers are employed by the automobile sector and it accounts for some 14 per cent of French exports.

The turnaround in its fortunes has been dramatic. In constant 1982 francs the car industry's surplus on external trade rose from FFr 17.2bn in 1970 to FFr 38.5bn in 1979. By the end of last year it had fallen back to FFr 7bn. Most significant has been the French performance in the West German market. The number of French cars sold in West Germany has slumped from 386,777 in 1978 to 170,683 last year.

Import penetration by foreign manufacturers into the French market was held throughout the 1970s to under 22 per cent. Over the last three years it has shot up to 30 per cent and in January this year (possibly a freak month) to 36 per cent.

The largest gains in the French market (where under a long-standing quota system the Japanese share is held to under 3 per cent) have been made by West German manufacturers and by new models such as the Escort, Ritmo and Panda brought out by Ford and Fiat.

Peugeot (France's largest non-nationalised company) has seen both sales and profits crumble. After passing the 2m unit production level in 1978 following its takeover of Chrysler's European operation, which was designed to help it achieve greater economies of scale, production fell back last year to 1.6m units.

\* La Regie Renault (automobile division). t Completed cars from France.

Source: Motor Industry Federation, Renault and Peugeot.

### France's car industry

## The symbol that is losing some of its shine

By David Housego in Paris

At the same time after a 35-year record of continuing profits it has made a total of about FFr 6bn of losses in the last three years—with 1982 (when the group had hoped to be back in profits on its French operations) possibly the worst year with a probable deficit of FFr 2.3bn. M Jacques Culvet, the former head of Banque Nationale de Paris (BNP), brought in by the group to impose tighter financial discipline and now head of Automobiles Peugeot (controlling the Peugeot and Talbot marques), says the group expects to be back in the black this year. But it is a calculation that depends critically on avoiding another costly strike.

Otherwise Peugeot could be faced with several unpleasant options. Amongst these might be compromising its cherished independence by seeking financial aid from the Government, possibly in the shape of bridged loans, continuing to hold back on further investment and thus jeopardising its long-run ability to develop new models and to automate its production further; or even disposing of its loss-making Spanish and British subsidiaries.

Financial analysts believe that Peugeot would have difficulty in supporting a fourth year of losses. Shareholders' capital has shrunk from FFr 13.6bn at the end of 1979 to

RENAULT\*  
Employees ..... 106,310 106,140 105,319 103,613 1982  
Profits FFr bn ..... +158.8 +169.7 +303 +875  
Production (France) ..... 1.2m 1.4m 1.4m 1.4m 1.4m  
Exports ..... 629,473 734,344 729,562 655,291 778,463  
Share of French market % ..... 34.2 34.3 40.5 38.8 39.1

PEUGEOT PSA  
Employees (automobiles) ..... 160,110 156,165 145,792 118,373 1982  
Profits FFr bn ..... +1.38 +1.80 +1.50 +1.99  
Production (France) ..... 1.86m 1.81m 1.41m 1.31m 1.25m  
Exports ..... 949,983 963,560 750,090 728,311 675,834  
Share of French market % ..... 44.9 43.3 36.5 33.0 30.3

\* La Regie Renault (automobile division). t Completed cars from France.

Source: Motor Industry Federation, Renault and Peugeot.



Renault workers demonstrating yesterday at Flins

Renault lost 40,000 alone last month.

The disputes have not touched the highly automated plants manned by a largely French workforce that Renault has at Douai or Peugeot at Rennes or Verviers.

In sharp contrast Renault had a record sales year in 1982 boosting world production to 1.96m units as compared with 1.76m in 1978.

The overall loss of market share in France and Europe (though Renault has lost ground in West Germany and Britain) has been most pronounced in the case of the Peugeot group. But Renault is likely to make losses approaching FFr 2bn last year after a FFr 6.5bn loss in 1981.

As a nationalised company it can look to the state for fresh injections of capital—it has just received an additional FFr 1.6bn this year. But it is well aware that with public sector losses (monopoly and competitive enterprises) totalling last year close to FFr 30bn, the Government's purse is limited.

"Our problem is not our product. Our problem is economic and financial. We need to make money to finance our investments."

It is against this background of a worsening financial situation that the problems of renewed strikes and rising labour costs loom so large. The Peugeot group, which had not had a strike for several years, lost 100,000 cars last year and

the right wing "house" union supported by an authoritarian management enforcing labour

discipline has been ousted from its position as almost sole union representative by its Communist-led rival, the CGT, provoking an almost daily trail of violence as the two sides settle old scores.

Government officials see no short-term answer to the problems of immigrant labour in the car industry which could spread to other sectors of industry which also employ large numbers of the 2m immigrant workers in France. Realising the dangers at stake, ministers have been taking a tougher line both towards the immigrant leaders—playing on their intransigence and their supporters as "religious fundamentalists".

Renault is looking to build on its success in the U.S. after its successful launch last year in partnership with American Motor Corporation of the Alliance (R9). In France both groups are counting on gains in productivity and costs from the major investments already made in automation and the standardisation of components.

What worries officials is whether Peugeot can get through its immediate financial crisis and whether it has already let its level of investment fall dangerously low. The group invested some FFr 4.5bn last year (some 5 per cent of turnover) compared with a pea lot FFr 7bn a few years ago.

Officials believe that this is the absolute minimum required to ensure that Peugeot does not lag behind in the years after 1986. But ministers' assurances that the Government has no wish to nationalise Peugeot in spite of pressures from the CGT and the unions do so should be taken at face value.

At the same time the Government has been pressuring the automobile manufacturers towards making concessions.

In an effort to settle at Flins last month, Renault was encouraged to offer an overall pay increase across the group for production workers amounting to 10.1 per cent which had been given in 1981. The Government's 8 per cent part of the wage bill.

At Citroen's Aulnay plant, in particular, the labour troubles have been made more acute by the abrupt shift in power that has taken place since May 1981.

The right wing "house" union supported by an authoritarian management enforcing labour

assemblies has been ousted from its position as almost sole union representative by its Communist-led rival, the CGT, provoking an almost daily trail of violence as the two sides settle old scores.

In addition, Renault reckons that the introduction of the 39-hour week and a fifth week's paid holiday cost it last year FFr 850m or 5 per cent of its wages bill. The Peugeot group, which increased hourly wages for production workers last year by some 13.14 per cent, estimates the additional cost of new social measures at FFr 1.6bn.

Peugeot can hardly fail this year to follow Renault's lead.

Gains in productivity—Renault claims 7.8 per cent a year and Peugeot on average 5.6 per cent—partly offset these rising labour costs. But a further worrying phenomenon has been the rise in the rate of absenteeism which Renault puts at 15.18 per cent in the first nine months of last year.

However, labour troubles have been by no means the only factor weakening the balance sheet. Both groups suffered

in addition to a further realignment of the franc to make good the inflation differentials between France and West Germany—Peugeot would certainly be happy with a devaluation of around 10 per cent. But above all it reflects the decline in the Government's real income.

As to their demands on the Government, both the private and the nationalised groups significantly refer back to a statement last year by M Jean Paul Parayre, the chairman of Peugeot in which he said:

"What I expect of the state is not assistance, but that it re-establishes the conditions necessary for the industry to run normally."

In part that includes the freedom to raise prices—though both groups would have welcomed more than the 7.5 per cent the Government has allowed this year.

It probably also includes a further realignment of the franc to make good the inflation differentials between France and West Germany—Peugeot would certainly be happy with a devaluation of around 10 per cent.

But above all it reflects the decline in the Government's real income.

However, labour troubles have been by no means the only factor weakening the balance sheet. Both groups suffered

## What's coming from Abbey National that can cut the cost of paying bills?



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### Men & Matters

#### Not spoken here

The long-running—and some would say hopeless—battle in France against the use of the French language as it should be spoken, has claimed an unusual victim.

That bastion of French

resistance in terms of what it says about how ordinary people relate to power and how it changes them...

It shows how power can iso-

late and that basic neurosis that once you've made your first enemies and your first mistakes, you're driven to eliminate your friends and supporters...

#### Perks

I see that Super Bike is advertising for a "sub-editor/production person" and the fringe benefits are not to be sneezed at.

The successful applicant

would immediately qualify for the use of a company pencil

completion of a trial period.

A chance to make an indelible mark in one's chosen profes-

sion...

...and the prospect too daunting.

Is wonder...?

Card sharps

Some odd goings-on in London's poshest postal districts—N1, SW1, SW3, SW7, W1, and all that.

Barclaycard has decided not

to send cardholders in these

rich purloin their plastic cards

through the post in the usual

way. It is all part of the fight

against fraud.

My Mole at Barclaycard's

Northampton HQ, tells me the

criminals follow postmen

around and know how to

recognise the Barclaycard envelope.

"They penetrate the lobbies of

houses with several tenants,

tear open the envelopes and

go on spending spree with

someone else's card."

Barclaycard is sparing no ex-

pense to fight this up-market

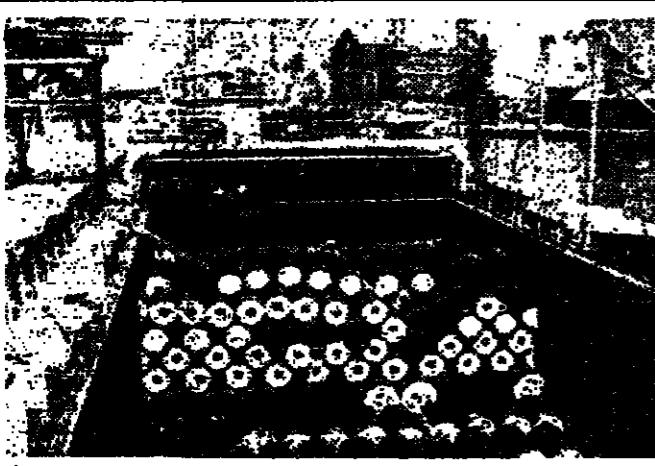
crime wave. "We sometimes</

## Letters to the Editor

### Hobbled by inadequate capital

From Mr E. Branson  
Sir.—The reasons for doubting that increased International Monetary Fund funding will solve international debt problems are thoughtfully canvassed in your editorial of February 14. The crisis arises as the private banking sector cannot deal with the problem because it is hampered, particularly in the U.S.A., by inadequate capital. The following suggestion might form the basis for a lasting solution with a minimum of government involvement.

The Federal Reserve would require that all banks make present provisions against principal and interest on foreign loans, on the same basis which would apply to a commercial credit. A sale of common stock would be mandated to restore desirable capital adequacy ratios. The shares would be sold through a "rights issue" and of course other private parties could subscribe for stock not purchased by the existing shareholders. The Federal Reserve would agree to subscribe for shares not purchased by the private sector. Any stock so purchased would be non-voting until sold back to a private party. Resale would be mandatory within a reasonable period, perhaps five years. The Federal Reserve would, in any case where it was forced to purchase a significant amount of stock, require as part of its underwriting agreement the resignation of the directors of the bank in question. Replacements would be elected by the voting shareholders only, in the customary manner.



Two-tonne drums of radioactive wastes aboard the Gem.

### Sea-dumping nuclear waste

From the Scottish Campaign to Resist the Atomic Menace

Sir.—We would like to make a few comments on David Fishlock's article on sea dumping of nuclear wastes (February 9). The whole nuclear waste sea disposal option is based on the assumption that any radioactivity released will be diluted and dispersed by the oceans and their currents. Professor W. Jackson Davis, a marine biologist at the University of California, however, was commissioned by the San Francisco authorities to analyse the reports of a series of deep-water surveys carried out between 1974 and 1978 of abandoned Atlantic and Pacific dumpsites. His findings included: "Hundreds of animal species have been found living in the dumpsite sediments and there is evidence that the canisters of radioactive wastes create artificial habitats that attract living forms, potentially accelerating the entry of radioactivity into the food chain." Not only are barrels out of sight, at 4,000-metre depths, they are also out of reach.

What is meant by "Ministry of Agriculture, Fisheries and Food has caught fish... and found them 'not significantly different' in activity from other deep-sea fish?" What exactly is "not significantly different"? David Fishlock is in fact wrong.

### Union-bashing monetarists

From Mr J. Lewis

Sir.—Dr. Davies's criticism (February 17) of the Government's policy on port privatisation could be repeated in relation to other industries, and I think it is fair to ask how much the Conservatives still believe their traditional arguments about private enterprise being the road to efficiency and prosperity. Why have they not made a priority of denationalising industries which are unprofitable, thereby giving private enterprise a chance to run them, as it is supposed to do?

Instead, all we can see are the management (like Cable and Wireless, which was able to hold its prices for 30-odd years at 1945 levels) and other predictable businesses being sold, while British Airways is currently being pressed to get back into the black under nationalised management so that it can then be privatised. If it cannot be claimed that

### Letters to the Editor

### Employee share ownership

From the Chairman, Wider Share Ownership Council

I believe this approach is also applicable in other countries with a similar system of corporate governance and central banking. This proposal is preferable to others currently making the rounds in the private sector solution in which it is essentially a commercial problem; probably require less funds from the public purse than an IMF or any similar support operation, being thus less inflationary; allow the banks to renegotiate existing loans sensibly, so as to provide renewed access to credit for economically sound projects in the developing countries. This would be true for the debtor which has, in effect, completed a financial reconstruction.

A sale of common stock would be mandated to restore desirable capital adequacy ratios. The shares would be sold through a "rights issue" and of course other private parties could subscribe for stock not purchased by the existing shareholders. The Federal Reserve would agree to subscribe for shares not purchased by the private sector. Any stock so purchased would be non-voting until sold back to a private party. Resale would be mandatory within a reasonable period, perhaps five years. The Federal Reserve would, in any case where it was forced to purchase a significant amount of stock, require as part of its underwriting agreement the resignation of the directors of the bank in question. Replacements would be elected by the voting shareholders only, in the customary manner.

I am convinced that bank managements are entirely capable of dealing with their foreign borrowers but they are hobbled by inadequate capital. It is undesirable to provide liquidity to a system which will be sounder after the immediate crisis is over. The situation should be dealt with by the shareholders. Surely any other course of action would send the wrong signals to borrowers, lenders and the financial markets in general.

Edward J. Branson  
Hillside Capital Inc.  
405 Park Avenue,  
New York, NY 10022.

### Return on overseas flows

From the General Secretary, The Labour Party

Sir.—"For Labour and the TUC to complain about the outflow (of capital) when it believes sterling is to be overvalued is, in fact, perverse," writes John Plemmer (Lombard February 11).

Not so. Sterling has been overvalued in the last three years as a result of the Conservative Government's policies of forcing up interest rates and depressing the home economy. The consequence has been a damaging loss in competitiveness which has contributed to the tragic loss of jobs in industry.

There is nothing inevitable about the overvaluation of sterling. More expansionary fiscal and monetary policies would have meant a growing economy and a lower pound (even with exchange controls), bringing a double benefit to industry.

Meanwhile, the abolition of

discriminatory exception to which you draw our attention.

Sir.—Your editorial (February 16) reminds us that the case for tax discrimination in favour of house purchase is essentially a political case and that the relief given to mortgage interest payments has led to regrettable distortions into the market.

This council is urging the Chancellor to grant tax relief on loan interest involved in the purchase of shares by employees.

It is designed to encourage

share ownership generally. It has to be recognised that such measures would complicate the tax system still further and we might not feel obliged to propose them if the discrimination which you criticise were removed. But the point to be made is not to dislodge the relief but to return to the sensible and logical system operated in all the years before 1986 and still operated as you point out, in North America today.

You object to this solution because, you say, it results in a higher level of interest rates generally and internationally, but for the years before 1986 were years of high interest rates in either the UK or the U.S.

What I do recall is that general relief on loan interest was discontinued (by the first Wilson administration) largely because of a temporary anomaly in the market. Such like other market anomalies would have corrected itself—a few surtax payers were able to make money by borrowing from the bank and investing the proceeds in the gilt-edged market. As so often, political resentment led to a bad economic decision, a decision reversed by Mr Heath but re-imposed by Mr Wilson, with the regrettable

exception to which you draw our attention.

From the Managing Director, Copeman Paterson

Sir.—I go along with the sentiments of Robert Oakeshott (February 9) and Aubrey Jones (February 15) but place a slightly different emphasis. In the market sector of the economy some firms are more successful, i.e. more profitable, than others. There are two rewards of business success, income and capital growth.

So long as income alone is shared with employees, pay deals lack something in creditability. From time to time a shareholder is likely to get into the headlines for having made a fortune through the capital growth of a business and some employees will suspect that pay rates have been restricted in favour of the shareholders. The fact that a substantial amount of profit has had to be reinvested to keep the company operating successfully cannot be expected unless employees are participating in the reinvested profit via a share scheme.

In a class-conscious country, employee share schemes are the key to realistic pay deals which are the key to more competitive industry which is the key to higher standard of living for all.

George Copeman  
Copeman Paterson  
10 Buckingham Place,  
SW1.

### Symmetry for zero coupon bonds

From Mr S. Millman

Sir.—I was unable to attend the seminar on zero coupon bonds, so I may be repeating some remarks made there, but I do feel that some comment on Lex (February 16) is due.

Taxing investors on interest accrued, but not received, would greatly undermine investors' acceptance of such bonds, whether the tax computation is straight line or compound. For a 10 per cent tax rate on a 10-year issue, accruals taxation would reduce investors' "normal" 12 per cent yield by about 2 per cent p.a. Alternatively, this reduces the bond's value at issue by about £6 in £50. Accruals taxation will kill the potential market because it gives the borrower all the advantage at the expense of the lender, whereas market arbitrages such as leases or section 233 loans must share the available benefits fairly evenly if the two sides are to meet in a reasonable volume of transactions.

Seeing a tax subsidy for zero coupon or deep discount bonds seems unlikely to succeed and, as Mr Ratcliffe wrote (February 17), wrong in principle because it adds another significant distortion to the cost of capital in the sterling markets. Why should our

tax system discriminate against conventional, par bonds in favour of zeros?

If zeros are to flourish, as we all hope, a simple symmetrical regime would suffice by making the borrower choose irrevocably at time of issue between either of the following two treatments. They would apply both on holdings to maturity and on transactions beforehand.

"Capital" zeros—

the borrowers' cost, and the

investors' profit would both be charged as capital, the bor-

rower obtains a much less

valuable tax allowance in

exchange for a cost of funds

lower by perhaps about 2 per

cent; or "Income" zeros—

taxed to both sides as income;

investors effectively earn a

return on the deferred tax

element rolled up "inside" the

bond so some concession would

be available compared to par

yields, but the borrower would

pay a higher rate than for a

normal bond.

If corporate borrowing is to

receive any subsidy, it should

only be applied to a range

of borrowing formats and not

used to create an artificial

market in one type of bond

with only limited application.

Stewart I. Millman

de Zoete & Bevan

25, Finsbury Circus, EC2.

ment; they will be taxed as they are paid.

All modern cable technologies are widely misunderstood. This ignorance is allowed to the Department of Industry to set standards in a vacuum. In line with past practice in other fields it will set unrealistically high performance goals at huge expense to cable operators. If cable TV is to develop quickly there need to be active proponents of the accurate evaluation of rival technologies.

For the sake of brevity allow me to correct some potential misunderstandings in Mr Chitwood's article. "Tree and branch" systems do not require new TV sets. Almost all TV sets are compatible with cable of any sort. Current best practice coaxial technology allows about 40 channels, not 30 as stated. No one has suggested that consumers have to buy "tree and branch" home equipment.

Chris Goodall  
33a, Flood Street, Cheltenham, Glos., GL5 2JL

misunderstood cable technology

From Mr C. Goodall  
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misunderstood cable technology

## The Polish Economy

# A tug-of-war over reforms

By David Buchan, recently in Warsaw

BLACK IS turning white in Poland. Under the bald heading of *na czarnym rynku* (on the black market), a Warsaw consumers' weekly now publishes a useful index for Poles in their illegal dealings with the ubiquitous currency traders.

Its latest index advises readers that, for a one dollar coupon cashable in the Pewex hard currency shops, the buying rate is 450 zloties and the selling rate 430 zloties. In theory, this black marketeering is highly improper, not to say illegal. The only rule at which genuine greenbacks or ersatz Pewex ones can be officially traded is 35 zloties. But the fact that this regular index draws little more comment than weather reports is grainy confirmation that the Jaruzelski Government's efforts to make Poland more market-minded have had only partial, and sometimes unlucky, success.

So far, the Government's economic reforms have proved a disappointment to many Poles and to Poland's western creditors. For Poles this stems partly from a widespread confusion between longer-term economic reform and short-run economic performance. The latter is still pretty abysmal. National income fell another 8 per cent last year, to a level 25 per cent below that of 1979. Industrial output reversed its three-year decline last August, but still ended last year 2 per cent down on 1981. Poles were led to believe by some ministers that the economic reforms, introduced with martial law, would be a speedy tonic for the economy.

Poland's Western creditors—banks and governments—may have harboured no such illusions about fast progress. But with \$25bn of their money still locked up in Poland, they have every desire for the reforms to succeed. Poland is now requesting from the Western banks a three-year rescheduling of its debts maturing within 1983-85, and one of the judgments the bankers must now make is the effect of the reforms in that period.

This is damaging to the economy because it means that for any given level of the exchange rate, interest rates in Britain are higher than they would otherwise be. It also exposes the economy to greater currency speculation and exposes future pensioners to greater risks.

The abolition of exchange controls may have stopped the exchange rate going as high as it could have done. But it seems perverse to suggest that one damaging policy should be welcomed merely because it mitigated the most destructive consequences of another. The common sense approach would be to reverse both policies.

Meanwhile, the abolition of

grammes" and "state contracts" which bind firms to supply certain key goods in short supply. These cover 30 per cent of industrial production and include vital semi-manufactures like rolled steel, tyres and batteries.

Companies are in theory free to hire and fire workers. Given the country's 1980s-style slump, this ought to lead to substantial unemployment. In fact labour shortages exist in many sectors. Some 400,000 people

petition. The country has a preponderance of big companies. More insidious, it has cartels. These "industrial associations" as they are politely known, were formally dissolved last year because their only rationale lay in the old days of directive planning. But like persistent amoebae, many of the cartels have coalesced again, as Professor Zdzislaw Sadowski, vice-minister for economic reform, complains. He plans a new anti-cartel law to crack this.

The task, however, will not be easy. Many Polish companies, especially the weaker ones, still cling to the sureties of cartel life: joint fixing of prices, output, market share. There is, too, suspicion here that, for all its profession of enthusiasm, the Government is not unhappy with the survival of some cartels or associations through which it can organise emergency production.

The nature of cartels is to blame any of their ills on outsiders invading their patch, and the outsiders in this case are the 300 or so small foreign-owned Polonia firms. They have been allowed to plug some of the yawning gaps in the Polish market, and their output has soared (by an annual rate of 500 per cent in 1982 and probably by 300 per cent this year).

Public criticism has recently turned on the Polonia firms. Their private character disturbs ideological conservatives and some of the charges of overpricing and indifferent quality are justified. But their very success, despite these deficiencies, confirms the fundamental lack of competition still in the Polish economy.

Economic reform has reached a critical stage, at which it must probably go forward or back. All the new freedoms for companies will disappear unless there are comparable institutional changes at higher levels, in the ministries, the planning commission, the industrial associations," says one independent economist.

The Jaruzelski Government itself is being pulled both ways—back by its conservatives capitalising on public dislike of price inflation, the first bitter fruit of economic reform, and forward by its technocrats. The thrust of the reforms must be resolved. Until it is, Poland's black market will remain better organised than its white market.

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# FINANCIAL TIMES

Tuesday February 22 1983

AMERICAN SYSTEM PREFERRED TO EUROPEAN

## UK chooses TACS cellular radio

BY GUY DE JONQUIERES IN LONDON

THE UK Government cleared the way yesterday for the launch of new mobile communications networks designed to bring radiotelephones within reach of hundreds of thousands of subscribers within the next few years.

Mr Kenneth Baker, Minister for Information Technology at the Industry Department, told the House of Commons that operators of the two planned networks had agreed to adopt a cellular radio system called TACS, which will be based on the AMPS standard in force in the US.

Cellular radio vastly expands the capacity of mobile communications networks by using frequencies more efficiently. In a cellular system, an area is divided into many small "cells," each served by a computer-controlled transmitter-receiver.

**Japanese plan 100-knot tanker**

By Andrew Fisher,  
Shipping Correspondent

JAPAN CLAIMS to be in the final development stage of a "dream ship" able to speed over or under the water at 100 knots.

Such a vessel, carrying cargo or passengers, would not use conventional engines or propellers, according to Sea-Japan, the magazine published monthly by the Japan Ship Exporters' Association.

Instead, it would have a powerful superconducting electromagnet using liquefied helium of minus 269°C - not far short of absolute zero.

Scientists outside Japan are sceptical but not totally dismissive. Some contacted in the UK believe that though the technology may be there, a lot of costly development work would be needed.

They also questioned the operating costs of such a vessel and thought speeds of 100 knots - some five or six times faster than present speeds - were far-fetched. Cost and economics were not dealt with by Sea-Japan.

Open sea tests soon start with a small prototype ship, and a blueprint has already been drawn up for the first commercial version - a 10,000 tonne submersible tanker to cruise at about 100 knots.

The project is the work of a team at Kobe University of Mercantile Marine led by Professor Yoshio Saji. Tests with model ships "confirmed that the theory behind the new system is correct," he said.

Power would be created by the reaction between the electromagnet in the ship and a magnetic field in the sea charged with electric current. Sea water would pass through a pipe into the hull containing the electromagnet and electricity would be sent perpendicularly through electrodes in the water. The resulting reaction at right angles would thrust the water back and the ship forward.

"It's a very interesting development, but it can't come along very fast," said Dr Anthony Appleton, a technical director at International Research and Development, part of Northern Engineering Industries.

Dr Appleton, who has worked on other electromagnetic systems and applications, including some on conventional ships for the British Navy, added: "Economically, it may be difficult to justify."

Corrosion is one negative aspect cited by UK scientists. Another, admitted by the Japanese, is the pollution caused by the chlorine gas from the reaction. Research on overcoming this continues.

er. Network operators expect to offer portable telephones as well as vehicle-mounted units.

Though TACS still needs some further development, Mr Baker said that plans to start the network in January 1985 could proceed on schedule. Tenders for equipment are expected to be issued in the next two to three months.

The Government plans to grant one operating licence to Seacell, a joint venture between British Telecom, the state telephone operator and Securicor, the security services company, and the other to a private consortium headed by Racal Electronics. The two networks will compete nationwide.

The licences will stipulate that equipment for the networks must be made in the UK. But it seems likely that much of it will be supplied nationwide.

At present, only the four Nordic countries are operating a commercial cellular network in Europe. The British Government claims that TACS offers a number of advantages over the Nordic system because it will have a higher capacity and will be better suited to densely populated areas.

The decision on TACS was reached after months of intensive discussions involving the Government, the prospective network operators and government authorities in other parts of Europe. The consultations with European governments would continue.

Mr Baker said yesterday that the new services could create as many as 12,000 jobs in Britain by 1990.

Mr Baker hoped that other European countries would join the UK in adopting TACS as the standard for the cellular radio networks.

Details, Page 6

## Qatar to spend \$4bn-\$6bn on project to export liquefied gas

BY KEN WHITTINGHAM IN QATAR

QATAR IS to spend between \$4bn and \$6bn over the next seven years on a project to export liquefied natural gas from its huge North Field non-associated gas reserves.

British Petroleum (BP) and Compagnie Française des Petroles (CFP) will become shareholders in a new company to be formed with the state-owned Qatar General Petroleum Corporation (QGPC) to carry out the project, which will last for 20 years.

It is the biggest to be undertaken in Qatar's programme of industrialisation and diversification away from dependence on crude oil revenues.

Qatar's North Field contains proven reserves of 110bn-125bn cu ft. It was discovered in 1972 and is one of the biggest in the world. Sheikh Rashid Al-Thani, deputy director-general of QGPC, said the project would use only one tenth of the reserves during its 20-year life.

Six million tonnes of LNG will be exported annually once production begins probably in 1985-86.

The selection of BP and CFP follows some three years work by the project committee and tough negotiations with five companies who were invited to tender for the project. BP and CFP were selected because they presented the best technical and economic offers, the committee chairman told Qatar News Agency in announcing the project.

Representatives of QGPC and the two foreign companies were holding their first joint meeting here yesterday to work out details of the company to be established shortly and a timetable for the project.

Once the company is formally established and the shareholdings agreed the two international companies will be responsible for finding purchasers for the LNG at 20-year contracts, Sheikh Rashid said.

This process could take two to three years, and this phase will be completed before work begins on developing the field - 40 kms off the north-west coast of Qatar - for production.

Japan, which has topped the list of exporters to Qatar for the past few years and is a major customer of oil, is expected to be the major buyer of LNG, according to Sheikh Rashid. Korea, Taiwan and European nations have also shown interest and QGPC has already received many enquiries from potential customers, he noted.

Survey, Section IV

decreed by the Government last month.

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*Energy Outlook Through 2000 (S175) and Petroleum Industry Investment in the Eighties (S100). Energy Economics, Chase Manhattan Bank, One Chase Manhattan Plaza, New York, NY 10001.*

Mr Delfim Netto, Planning Minister, undoubtedly hopes they will.

Yesterday, the money markets in Rio de Janeiro and Sao Paulo were in a state of confusion as bankers waited to see what additional measures Brasilia will take to cushion the inflationary impact of the devaluation.

Sr Ernesto Galveas, Finance Minister, indicated at the weekend that the authorities are determined not to relax their grip on the money supply in response to the deepening crisis in manufacturing industry.

The capital goods sector declined by 14.4 per cent in the year to last November, after a fall of 16 per cent in the previous 12 months. Meanwhile, consumer demand has been depressed by the upward swing of inflation - exceeding 100 per cent - and by the reduction in real wages supply.

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## SECTION II - INTERNATIONAL COMPANIES

# FINANCIAL TIMES

Tuesday February 22 1983

## Swiss Volksbank intends to raise dividend to 9%

BY JOHN WICKS IN BERNE

SWISS VOLKSBANK of Berne intends to raise its dividend to 9 per cent for the past year. This increase, which is to be proposed at the bank's general meeting on March 25, follows a halving of the dividend to 7 per cent for 1981.

Net profits rose by 41.4 per cent in 1982 to SwFr 50.9m (\$25.5m) after falling by 47.7 per cent in the previous year to only SwFr 35m, their lowest level for more than a decade.

The 1981 decline was due largely to a narrowing of interest margins, a drop in earnings from precious metal dealings and considerable write-offs in the bank's securities portfolio.

In contrast, 1982 saw a 29 per cent rise in net interest income to SwFr 41.6m and a 9.6 per cent profit rise to SwFr 67.2m from precious metals and foreign currency trading. Earnings from the securities sector jumped 117.4 per cent to SwFr 6.3m. Income from capital-market issues rose by 23 per cent and from commission on securities trading by 18 per cent.

At a press conference in Berne yesterday, Mr Walter Ruegg, general manager, forecast "further progress" in 1983 despite the con-

tinuing difficult economic situation and limited demand for credit.

The recovery of Swiss Volksbank's cash flow last year from SwFr 81.9m to SwFr 147.5m has allowed an increase from SwFr 35.2m to SwFr 85.7m in the combined depreciation and provisions sum. Only about SwFr 4.3m of this is needed to write off actual losses, but the remainder will be needed for provisions against increased risks.

According to Mr Ruegg, these sums are needed in view of increasing difficulties facing domestic corporate clients and the desirability of better sovereign-risk coverage. However, the foreign loan portfolio is seen as "very favourable."

While non-Swiss activities rose last year from 16.9 per cent to 21.2 per cent of total business, the parent bank and its Luxembourg subsidiary, Banque Populaire Suisse SA, apply strict criteria to creditor quality. At present, total commitments in six "problem countries" amount to SwFr 113m.

The overall balance-sheet total rose by 5.2 per cent last year to a record SwFr 19.74bn. Clients' deposits increased by 9.3 per cent to SwFr 18.15bn, with a welcome shift from short to medium and long-term de-

posits. Loans and advances to clients fell by 1 per cent.

In inter-bank operations, the due-from-banks sum jumped by nearly two thirds to SwFr 2.48bn, while the due-to-banks total dropped 15 per cent to SwFr 1.94bn. This development meant that loans to clients were no longer dependent on inter-bank refinancing.

• Banca della Svizzera Italiana, of Lugano, recommends payment of a 1.5 per cent bonus for 1982 on top of an unchanged dividend of 12 per cent. This follows payment of a 1.2 per cent bonus for the previous year.

The bank, the biggest in Italian-speaking Switzerland, booked an increase of 18.4 per cent in its cash flow last year to SwFr 58.5m (\$29.4m). Although depreciation and provisions were raised from SwFr 20.3m to SwFr 25.8m "in view of the rather delicate international financial situation," net profits went up by 4.8 per cent to record SwFr 30m.

These are higher margins than Sweden paid last year. The market's response so far suggests that the tougher conditions have paid off handsomely. The credit has attracted a total of 53 lead managers who would have underwritten a total of \$2.2bn had underwriting allocations not been scaled down to allow for an increase of only \$500m.

More than Sibn of the new total of \$1.5bn has been committed at a margin over Eurocurrency rates. Sweden was looking for a good response to this segment of the loan

## Sweden's Eurocredit increased to \$1.5bn

By Peter Montagnon,  
Euromarket Correspondent

THE JUMBO Euromarket credit being arranged for Sweden was increased yesterday to \$1.5bn from \$1bn because of heavy demand from lead managers.

The increase means the king-dom of Sweden has completed 92 per cent of its foreign borrowing requirement for 1983. Mr Peter Engström, a top official of the country's National Debt Office, said in London yesterday. Last week he said the requirement amounted to be-tween \$2.7bn and \$3.4bn.

The credit is being led by Chase Manhattan, Morgan Guaranty, Bank of Tokyo and Svenska Handelsbanken. Terms call for a margin of 1/2 per cent over London Euro-dollar rates or 0.2 per cent over U.S. prime with a maturity of eight years.

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## Operations of Hamburg bank halted

By Leslie Collett in Berlin

THE WEST German Credit Supervisory Office has declared a moratorium on the transactions of Hermanns Bank, a small private bank in Hamburg, pending the completion of an investigation.

The office said an investigation of the bank's accounts showed unsecured loans which were so high that it would now have to be determined whether the bank should be closed.

Hermanns Bank had a balance-sheet total of DM 115m (\$48.1m) and deposits of DM 95m which are insured. The bank's equity capital was about DM 5m.

In its regular examination of accounts, the Federation of German Banks came upon the irregularity and alerted the Federal Supervisory Office in Berlin.

This is the third small West German bank to have its operations suspended by the office since last September. The other two banks, in West Berlin and Mannheim, were subsequently closed.

Banks that moved up one position included Crocker National

Bank, the San Francisco Bank owned by Midland and Mannheim, were subsequently closed.

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The survey, based on the year-end deposits and assets, finds no change in the rankings of the nation's 10 largest banks in terms of deposits but Chemical Bank, with deposits of \$29.7bn and assets of \$47.1bn, moved up one place in terms of assets, switching ranks with Continental Illinois, National Bank and Trust.

Continental, which ranked sixth last year with assets of \$45.1bn, had an 8.5 per cent drop in assets to \$31.3bn at the end of 1982. The reduction reflects the bank's considerable loan losses, particularly those related to the failure of Oklahoma City's Penn Square Bank from which the Chicago bank bought a Sibn package of energy loans.

Among the 25 largest U.S. banks four have increased their rankings from a year earlier. The biggest jump was First City National Bank, Houston, which moved up three places to 20th with a 17 per cent increase in deposits and a 17.7 per cent increase in assets to \$7.9bn and \$9.9bn respectively.

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## INTL. COMPANIES &amp; FINANCE

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## THE KINGDOM OF DENMARK

¥10,000,000,000  
Medium Term Loan

Lead Managed and Provided by

The Bank of Tokyo, Ltd.  
The Fuji Bank, Limited  
The Sanwa Bank, Limited

The Dai-Ichi Kangyo Bank, Limited  
The Mitsubishi Bank, Limited  
The Sumitomo Bank, Limited

In Conjunction with

Copenhagen Handelsbank A/S

Den Danske Bank af 1871 Aktieselskab

Privatbanken A/S

Managed and Provided by

The Hokuriku Bank, Limited  
Bank of America NT & SA  
The Bank of Nova Scotia  
The Chuo Trust & Banking Company, Limited

The Tokio Marine and Fire Insurance Company, Limited  
The Bank of Fukuoka, Ltd.  
The Chiba Bank, Limited  
Lloyds Bank International Limited  
The Shizuoka Bank, Ltd.

Provided by

The Ashikaga Bank, Ltd.  
The Nichido Fire & Marine Insurance Company, Limited

The Yasuda Mutual Life Insurance Company

Agent

The Dai-Ichi Kangyo Bank, Limited

February 1983

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## OCCIDENTAL PETROLEUM CORPORATION

\$850,000,000

## CREDIT AGREEMENT

Arranged by:

Manufacturers Hanover Trust Company

Funds provided by:

Manufacturers Hanover Trust Company

Bankers Trust Company

The Bank of Nova Scotia Group Canadian Imperial Bank of Commerce

The Toronto-Dominion Bank

National Westminster Bank Group

Mellon Bank N.A.

Arab Banking Corporation (ABC) First National Bank of Minneapolis

Gulf International Bank BSC

The Bank of New York The Governor and Company of The Bank of Scotland

Banque Paribas Credit Commercial de France, New York Branch

Dresdner Bank AG The First National Bank of Chicago

The National Bank of Australasia Limited

Nederlandsche Middenstandsbank N.V., New York Branch

Standard Chartered Bank plc Texas Commerce Bank National Association

UBAF Arab American Bank Union Bank Westdeutsche Landesbank Girozentrale

Crocker National Bank North Carolina National Bank

Bank of America National Trust and Savings Association Bank of Ireland

First Interstate Bank of California First National Exchange Bank

Istituto Bancario San Paolo di Torino Mercantile National Bank at Dallas

The Royal Bank of Scotland plc Scandinavian Bank Limited

United Bank of Denver National Association

Agent

MANUFACTURERS HANOVER TRUST COMPANY

November, 1982

MANUFACTURERS HANOVER TRUST COMPANY

MANUFACTURERS HANOVER

# What pension fund sponsors like most about Morgan for international diversification



Some of the Morgan officers responsible for international investment management share news and trend data at a meeting in London. Shown, from left, are Rudolph Leuthold, Walter Zinsser, and Bernard Raitzav, London; Nancy Kyle, New York; Mark Tapley and Chilton Thomson, London.

Major investors in the U.K., Europe, Africa, Asia, Australia, and South America—in addition to North America—increasingly turn to The Morgan Bank for active international portfolio management.

Our London Office manages nearly £900 million in internationally diversified equity and bond portfolios for a wide variety of clients, including pension funds, foundations, insurance companies, and government organisations. We earned this leadership position by developing a multinational team of professionals and by achieving an outstanding record of performance.

#### Headquarters in London

Our international investment team is headquartered in London, and includes professionals in Tokyo, Hong Kong, Paris, and New York.

At Morgan, international diversification is

actively managed and based on careful, on-the-spot research. This kind of management broadens the range of investment options. It can smooth the cyclical bumps that are likely to jar a one-economy portfolio. It can turn inflation differentials and currency fluctuations into investment opportunities rather than hazards.

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#### Call on Morgan

Morgan can help you benefit from actively managed international diversification. For specific information, write or call Anthony G. Bird, Vice President, Morgan Guaranty Trust Company, 30 Throgmorton Street, London EC2N 2DT; telephone (01) 600-2300.

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## The Morgan Bank

## UK COMPANY NEWS

## Sales and dividend double at Aidcom

AIDCOM International is doubling its dividend payment for the year to October 31 1982 to 0.6p net per share. At least 0.5p has been forecast.

Turnover of the group - market research, micro-technology and design, and formerly known as Allied International Designers - rose from £2.04m to £4.85m, while profit before tax and exceptional debts climbed from £140,000 to £344,000.

Mr James Pidlich, chairman, reports that the market research subsidiaries doubled their trading profits while DVW Microelectronics, which started trading its Husky portable computer, produced a "significant" contribution to profits.

The figures include only a seven-months contribution from M.A.S. Survey Research, while research and development costs incurred by DVW, previously shown as a £58,000 exceptional item, were written off against trading profit.

After exceptional charges of £78,000 (£11,000), including £37,000 relocation expenses relating to the move to freehold premises, tax £100,000 (£43,000) and minorities this time of £9,000, the net profit attributable is £179,000 (£68,000), for earnings of 1.81p (1.09p) per share. Cost of the dividend is £22,000 (£29,000).

Mr Pidlich says the current year promises further growth. The company will benefit from rent savings arising from its move to new freehold premises. Profits were affected by this in 1982 but a revaluation of the property has disclosed a gross surplus of £120,000 which goes to capital reserve.

Since the year-end two subsidiaries have been set up - KMS Publications and Business Decisions of New York - and a 51 per cent interest acquired in employee incentive scheme specialists Cockman Cope-man & Partners.

## Talks on sale of truckmaker

INTERNATIONAL Harvester's UK truck building subsidiary, Seddon Atkinson, is still engaged in negotiations with other truckmakers for a possible purchase of the company.

Talks with Seddon Atkinson, based at Oldham in North-West England, have involved General Motors and Enasa - the Spanish state-owned company which sells under the Pegaso badge. Enasa said at the weekend that it talks so far were purely preliminary.

The struggling U.S. group decided last year to divest itself of all its truckmaking operations outside the U.S. That included a 35 per cent share in Enasa, a share which was bought by IH to spearhead expansion in Europe but which has been subsequently sold back.

International Harvester GB announced last week that £7m of new capital was being injected into it by its U.S. parent.

## Marchwiel moves ahead to £13.75m

INCREASED PRODUCTIVITY in its UK activities and a good performance overseas enabled building, civil engineering and public works contractor, Marchwiel, to raise pre-tax profits from £10.38m to £13.75m for the year ended October 31, 1982, on turnover of £233.29m, compared with £233.29m.

The group enlarged by the acquisition of Finias is in excellent shape, the directors say, and they view the future with confidence.

At the interim stage, when reporting a pre-tax surplus of £4.32m (£3.49m including £1.1m profit on sale of investment), the directors said that unless unexpected trading conditions arose, they looked forward with confidence to the outcome for the full year.

In view of the increased year-end profits and substantial cash resources, the final dividend is being raised from 4.2p to 4.8p net for a higher total payment of 7.5p (6.8p) per 25p share. Earnings per share were 38.3p (28.4p) before tax and 22.4p (20.8p) after.

The tax charge, which more than doubled from £2.53m to £5.42m, was affected by reduced stock appreciation relief of £1.1m (£2.5m), overseas profits attracting a rate of tax of 30 per cent and currency losses for which relief is not available. After minority profits of

## DIVIDENDS ANNOUNCED

Current payment	Date of payment	Corres-ponding div.	Total for year	Total last year
Aidcom ..... 0.6	Apr. 29	0.3	0.6	0.3
Charles Baynes ..... 0.6	—	0.5	0.85	0.75
English & Scott. Inv. .... 1.25	Apr. 5	1.05	2	1.8
Impala Platinium .... 25	Apr. 15	25	—	75
Marchwiel ..... 4.8	Mar. 31	4.2	7.5	6.5
Scotish Eastern Inv. .... 1.85	—	1.85	3.35	3.35
Temple Bay Inv. Inv. .... 2.5	Mar. 31	2.7	4.2	3.95

Dividends per share for year not except where otherwise stated.

Equivalent after allowing for scrip issue. + On USM Stock & South African cents.

£517,000 (£578,000) and extraordinary credits of £795,000 (£750,000 debits) the attributable surplus was £8.61m, against £6.53m. The dividends absorb

£1.5m (£1.59m) not except where otherwise stated.

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## THE MANAGEMENT PAGE: Small Business

ONE OF the most remarkable bright spots of entrepreneurial activity in the UK lies in the fast-growing world of micro-computer systems. A considerable number of aggressive new companies has been springing up around the country.

Small groups of computer engineers have built microcomputers around standard micro-processor chips from leading semiconductor suppliers, like Texas Instruments, Motorola, Intel and Zilog. And one new company that has begun to stand out from the crowd is High Integrity Systems.

The reason is simply that its microcomputer product is based around an incredibly powerful microprocessor developed by Intel, one of the most technologically advanced semiconductor companies.

Intel's 432 microprocessor is a set of three microchips which can be held in the palm of the hand but which have the processing power of a medium-to-large mainframe computer taking up a whole room and costing £100,000 or more. The 432's power is comparable with one of Digital Equipment's most powerful and fast "super mini computers." Other companies also have powerful "computers on a chip."

Intel launched the chip set in early 1981 and as yet there is no real commercial application. It is a product for the second half of the decade. One of the problems of such a powerful micro-processor is the complexity and difficulty of constructing the electronics around it so that it can communicate with "the real world."

Intel acknowledges that this is a task for a large sophisticated computer company with substantial resources. High Integrity Systems (HIS) is, however, one of the front runners in the world in building the 432 into a working system.

HIS employs 10 people and is based over a row of shops in the village of Sawbridgeworth in Hertfordshire.

The potential applications for the 432 are thought to be considerable — although it may not yet have been dreamt up. Essentially it gives tremendous computing power in a very small space at a relatively low cost.

Such a computer can make a major difference in robotics, telecommunication switches and graphics systems and other applications. Another important aspect of the 432 is its ability to link several processors so that it can give "non-stop" computing if one fails. This is a field which has been strongly exploited by Tandem computers at a mainframe level and makes



Daphne Gordon: paid salaries out of her own savings

Hugh Rouncefield

## Mighty micro makers

High Integrity Systems was set up to try and make practical use of an Intel 'super chip'. Jason Crisp reports

the 432 particularly attractive in military applications.

Intel has been so impressed by HIS that it is now considering a collaboration between the two companies on the application of the 432 chip.

David Maves, Intel's North European marketing manager, describes HIS as a "unique group of people who have succeeded by the virtue of their brainpower, rather than their pound power."

The story began, falteringly enough, just over two years ago. A group of five bright computer engineers who worked for UK subsidiaries of ITT, the U.S. multinational, began to spend many anguished hours together talking in pubs, their homes and office corridors.

This small group had been part of an ITT team evaluating Intel's 432 from 1978. The chips have considerable potential application in telecommunications.

The five from ITT had been deeply impressed by the power and potential of the 432 chips and almost instinctively believed in their potential. Daphne Gordon, project leader at ITT and now managing director of High Integrity Systems, says: "The feeling was that here was an opportunity for a product with a whole new market even if we were not sure what the product was, what it would look

like or even if it was hardware or software."

The group first suggested to STC that it should back them with £250,000 for two years so they could develop a so-called board level product around the 432. In other words, build the printed circuit boards around the chips thus enabling them to be used for practical functions.

The five operated then, and later on a committee basis, which proved to be a recipe for indecision. After waiting for several months for a response from STC the group was forced into action when one of the key members suddenly announced he had handed in his notice.

The result was that all the group decided to leave and set up a company backed by their own savings (about £5,000 each). The project was to develop the 432 but also to earn money through consultancy work, "We rather naively thought it would walk through the door," reflects Daphne Gordon.

And although work was progressing with the 432 project no money was coming in and the overdraft facility was being fast used up. It was at this stage that Daphne Gordon took charge of the company. From her own savings — boosted by some favourable deals on house purchases — she paid the salaries out of her own money, lending

moving quickly. But it took us two years to learn to do that."

The first deal was effectively a barter arrangement with Intel itself. HIS persuaded Intel to give it a substantial amount of computer hardware and software and a valuable compiler for the 432's programming language, called ADA.

In exchange HIS agreed to provide consultancy for Intel on the 432 (for which it would be paid), grant it rights on any product it developed (for which Intel would pay a royalty) and to return the equipment if the company failed.

Armed with this agreement, HIS negotiated with an apparently remarkable ease, a sizeable overdraft facility with a local Barclays bank. For nearly four months the company did no consultancy work — "We rather naively thought it would walk through the door," reflects Daphne Gordon.

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a total of £15,000 to the company. "I absolutely abhor being in the red," she says.

Daphne Gordon, 33, took a degree in computer sciences at London University before joining Elliott Automation, which was subsequently taken over by Marconi, where she worked on programming and systems design on radar and air traffic controls. She joined ITT in 1974 and led several different projects in research and development.

The committee structure was abolished and an executive board of three was established. It was also clear that the company needed at least £100,000 to put it on a sound footing and that it was obviously not going to come from consultancy work.

In September 1981, she approached Greene & Co, the stockbrokers, after reading about them in Computing magazine, with little to offer other than the deal with Intel, the overdraft facility, and several reams of paper containing a computer design.

Greene quickly made an offer of just under £150,000 for 25 per cent of the equity. Gripped with that familiar small company fear of selling its shares, HIS dithered about making a decision for nearly six months. While this was going on, HIS signed a technology transfer deal with Systems, the Leeds-based microcomputer company.

Although nobody has even a rough idea of the figures, there is a widespread belief that small firms in the UK get a raw deal when bidding for public sector contracts. Given their inherently limited capacity, and in many cases a short track record and higher costs of materials, they are seen to stand at a distinct disadvantage when it comes to dominate the lists of approved Government suppliers.

If politicians are serious about encouraging small firms in this country, so the argument runs, why not throw them a bit more of the £800m which the Government currently spends on goods

and services?

The "hawks" in this debate — such as the Union of Independent Companies and the Forum of Private Businesses — want a specific programme "set aside" under which a given percentage of public sector spending would be reserved for small firms. They point to the U.S. where some 20 per cent of Government contracts are required by law to be handed to small business.

"Doves" such as the Confederation of British Industry and the Institute of Purchasing and Supply have also thrown their hats into the ring, in both cases coming out strongly against "set aside."

Ernest Walker, head of the technical department of the IPS, for example, says that the institute is "totally against" this idea. "We favour free competition. If you don't have this you are going to get to a situation where small companies will be tendering a less competitive price and then who stands the difference? I think that stands the difference, and some larger ones know how to go about tendering."

At the same time Cobbett warns that "the recession has got everyone looking inwards. The danger is that the arguments will become the introverted ones about how to cut the cake rather than the more important ones about how to increase it."

The solutions, he adds, lie in much greater visibility of purchasing managers. This could

## Government purchasing

### 'Hawks' and 'Doves' divided on concept of special treatment

SMALL firms want a bigger share of government contracts — and just how they should get it has recently sparked a lively controversy in business and political circles.

The issue is high on the shopping list of many small business lobby groups, and it cropped up at the recent conference to launch the 1983 European Year of Small and Medium Sized Enterprises and surfaced again last week in a speech by Michael Heseltine, Defence Minister.

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The solutions, he adds, lie in much greater visibility of purchasing managers. This could

be achieved through more "Meet the Buyers" sessions, more innovative initiatives by big companies and Government to explain their needs to potential suppliers, and a simplification of the Government's 47 pages of terms and conditions.

In a speech last week to the Small Business Bureau, a Tory pressure group, Michael Heseltine stressed that value for money was the Government's prime requirement as a customer of British industry. He pointed out, however, four ways in which small companies can sell a product or service to the Ministry of Defence.

• Direct contracts. These are awarded by the headquarters contract branch of the Ministry.

• Sub-contract opportunities.

The general rule is for prime contractors to choose their own sub-contractors and it is this to the defence prime contractors that we urge small firms to address themselves.

• Local purchase arrangements.

Most service units, MOD research establishments and Royal Ordnance Factories turn to local suppliers for goods and services which take too long to be obtained centrally and are most cost-effective purchased locally.

• EEC Supplies Directive and the Gate Agreement on Government Procurement.

These are extrapolated from the Defence White Paper

• Current Government thinking is against set aside, mainly on the grounds that more civil servants would be needed to administer it.

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## TECHNOLOGY

BRITAIN JOINS INTERNATIONAL RESCUE PROJECT

## Satellites for sea safety

BY ELAINE WILLIAMS

BRITAIN has agreed to join in trials for the development of a new international system for locating ships and aircraft in distress.

The aim of the work is to improve upon current search and rescue techniques, to save lives and reduce search and rescue costs. For example it costs £1,000 an hour to operate a Nimrod search aircraft.

## Compatible

Sarsat, conceived by the U.S. and Canada in 1977, is now reaching a crucial phase in its development. It is an international project with France as the third major partner. Norway, Sweden, the UK and Finland recently joined the project.

Sarsat is also compatible with Cospas, a similar distress system being developed by the USSR. In fact the co-operation between the U.S. and the USSR is the only formal collaboration between the two countries in high technology.

The Sarsat/Cospas system is based on low polar orbiting satellites for tracking and distress beacons already widely used for shipping and aircraft searches and a network of ground stations and control centres to provide fast detection and location of ships and aircraft in distress.

At present only one satellite, a Russian one, is in a polar orbit but the first western satellite carrying the search and rescue facility is due for launch on March 28. This will be followed by at least two others. NASA in the U.S. uses the National Oceanic and Atmospheric Administration's series of weather satellites for the purpose.

## Low output

The low orbiting satellites complete a revolution of the earth every 100 minutes. This means that in a 12 hour period the satellite covers the whole of the earth's surface. Four satellites would give very fast coverage.

These seek out distress beacons. Present generation of beacons operate in the 12.25 MHz and aircraft carry a simpler type of distress beacon.

## COMPANY NOTICES



THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED  
(Incorporated in the Republic of South Africa)

ON SHARE WARRANTS TO BEARER  
NOTICE OF DIVIDEND NO. 95

Pursuant to the notice published on 21st December, 1982, members are invited to receive their dividends, which will be paid on 1st March, 1983, to be despatched by the United Kingdom Paying Agents on 3rd March, 1983. The amount of the dividend will be 15% of the gross dividends payable by the United Kingdom Paying Agents to bearers equivalent to 47% of the share capital. Holders of share warrants to bearer are informed that the date for the delivery of share warrants to bearer will be 1st March, 1983, upon surrender of Coupon No. 95 at the London Bearer Reception Office, 40, Holborn Viaduct, London, EC1P 5AJ.

Equivalent in United Kingdom currency of dividend declared: £479,489 71,9221

AMOUNT PAYABLE PER SHARE U.K. INLAND REVENUE TAX: £1.00 (NET OF 10% LOCAL TAX) WITH RESPECT TO THE UNITED KINGDOM INCOME TAX AT 15% ON THE GROSS DIVIDEND (See Notes 1 and 2 below)

AMOUNT PAYABLE PER SHARE OUTSIDE THE UNITED KINGDOM INCOME REVENUE DECLARATION: £335,6367

Coupons must be listed in duplicate on forms obtainable from the London Bearer Reception Office and deposited for examination on any weekday (Saturday excepted) at least seven clear days before the date of payment.

NOTES: (1) The gross amount of the dividend for use for United Kingdom Income and Surplus purposes is £478,489. Between the United Kingdom and the Republic of South Africa, South African Non-Resident shareholders will receive a dividend of 15% of the gross dividends payable by the United Kingdom Paying Agents to bearers equivalent to 15% of the share capital. The amount of the dividend will be 15% of the standard rate of 21% (representing an allowance of 6% for tax at the rate of 11% in respect of South African Non-Resident Shareholder Tax).

29. Bishopsgate, LONDON EC2M 3EE. Tel: 01-520 1383

NOTES: (2) The gross amount of the dividend for use for United Kingdom Income and Surplus purposes is £478,489. Between the United Kingdom and the Republic of South Africa, South African Non-Resident shareholders will receive a dividend of 15% of the gross dividends payable by the United Kingdom Paying Agents to bearers equivalent to 15% of the share capital. The amount of the dividend will be 15% of the standard rate of 21% (representing an allowance of 6% for tax at the rate of 11% in respect of South African Non-Resident Shareholder Tax).

## CLUBS

HANOVERIAN NIGHTCLUB and Restaurant, 100 Newgate Street, London EC1P 4EP. Tel: 01-205 776. Where today's young man can enjoy an evening and relax in a sophisticated atmosphere, dancing partners available night. 9 pm-2am. Tel: 01-408 2652.

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## SECTION III - INTERNATIONAL MARKETS

# FINANCIAL TIMES

Tuesday February 22 1983

### LONDON

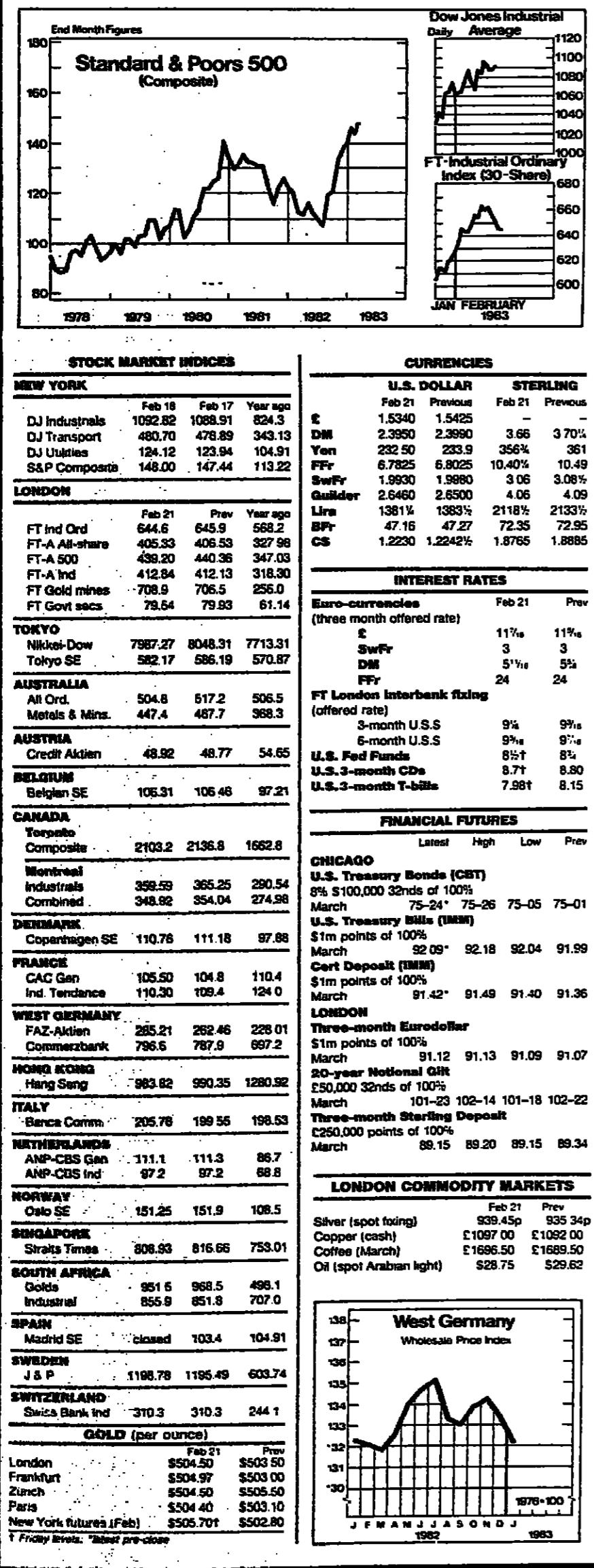
## Equities display resilience

OIL PRICE confusion and the resulting fall in sterling to its lowest level since October 1978 against the international basket of currencies made for uncertainty on the London Stock Exchange yesterday. Gilt-edged investors showed particular concern about the possibility of the exchange rate suffering.

Nervous selling cut into the recent good gains in government stocks by a full point before a slight recovery developed towards the close. Potential buyers retreated with the result that the volume of business, which expanded on occasions last week, also turned down.

The £30-paid Exchequer 10% per cent 1987 A, which began low on Friday as a tap stock before official supplies ran out later that day, reacted to 26% prior to ending a net 1/4 down at 29%. Equity markets started a new trading account cautiously, reflecting the extremely large amount of money tied up in a Superdrug Stores issue. Most blue chip and first-line industrials opened a shade easier but stubbornly refused, with the exception of oils, to give any fresh ground.

### KEY MARKET MONITORS



Selective investment demand took one or two stocks sharply higher.

The FT Industrial Ordinary share index, down 3.5 at the first calculation, recovered to close only a net 1.3 off at 844.6, quite resilient in the face of a 12p fall in BP to 312p and the dividend allowances of four constituents quoted ex yesterday.

Fears that Nigeria's cut of \$5.50 in the price of its top-quality crude might spark off an oil price war prompted nervous selling of the oils. Shell weakened 8p to 438p, Lusmo 13p to 262p and Britoil 5p to 438p. Ultramar at 487p and Tricentrol at 182p fell 13p and 8p respectively.

Stores, a relatively static sector of late, welcomed the new account and selected counters displayed noteworthy gains. Favourable mention prompted an active trade in Woolworth, which attained a new peak of 233p before settling for a net gain of 14p at 230p. Habitat Mothercare, which last week announced an agreed offer for Heal and Son, advanced 8p more to 250p, while scattered support lifted perennial takeover favourite Debenhams 8p to 108p.

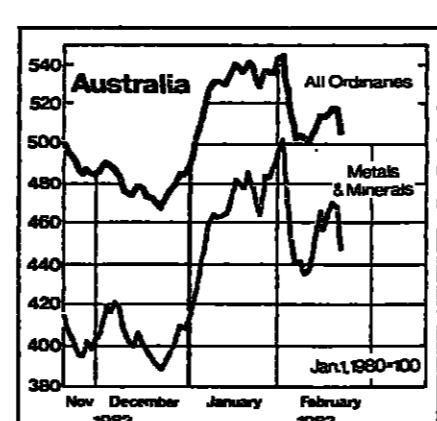
UDS, awaiting possible further overtures from the Bassishaw consortium, rose 2p to 117p, still 3p below the share-exchange offer from rival suitor Hanson Trust, unchanged at 102p.

The Australian mining market, which has tended to drift lower in nervous trading since the announcement of the March 5 federal election, was in full retreat following the resounding state win by Labor. After a sharp markdown throughout the list at the opening, ensuing selling was sizeable and the leaders

closed with losses often into double figures.

Western Mining, which last Monday announced a small loss for the half-year and a reduced interim dividend, bore the brunt of the selling and dropped 15p to 230p, while MIM Holdings fell 14p to 243p, Peko-Wallsend 10p to 380p, and CRA 7p to 243p.

South African issues suffered from lack of interest in the absence of U.S. activity. Golds, firmer at the outset reflecting Johannesburg buying, encountered light selling from London and continental Europe during the afternoon but managed to retain modest overall gains. Share information service, Pages 28-29



### AUSTRALIA

## Labor win unnerves the mines

A STRONG win by the opposition Labor Party in Western Australia's state elections - foreshadowing a possible victory in the March 5 federal polling - unnerved Sydney stock investors yesterday, and steady price declines throughout the session left the All Ordinaries index 12.4 down at 504.8, all but completing the eradication of this year's gains.

Selling was heaviest in mining issues, with the Metals and Minerals index 20.3 weaker at 447.4, a 4.3 per cent slide compared with the overall 2.3 per cent.

Volume was a moderately active 17.31m shares worth AS14.5m and declines overwhelmed advances 210 to 32 with 136 stocks traded but unchanged.

Western Mining slipped 27 cents to AS3.65, MIM 22 cents to AS3.93, North Broken Hill the same amount to AS2.25, and BHP 20 cents to AS6.34.

Uraniun miners fell particularly sharply amid fears that a Labor government might move to ban exports to uranium oxide. ERA dropped 13 cents to AS1.35 and Pancontinental 10 cents to AS1.55.

Industrialists held up somewhat better,

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## COMMODITIES AND AGRICULTURE

## March approval likely for \$ sugar trading

By JOHN EDWARDS, COMMODITIES EDITOR

A CHANGE in the London sugar futures contract from sterling to dollars is expected to be approved at a special meeting on March 23 of the United Terminal Market Association.

Mr Michael Stone, chairman of the association, said pressure for the change had built up in London since nowadays virtually all world sugar physical trading contracts were in dollars. Sugar was a dollar commodity.

As a result, sterling trading was a possible deterrent against using the London market for "hedging" since it was necessary at the same time to cover as well the considerable currency risk involved.

Mr Stone added, however, that if a change to dollars was approved it could probably not be introduced until August 1984 at the earliest. Existing positions on the present sterling-based market run up until May 1984 and there is a large "open" position outstanding.

It is believed there is strong support for the change to a dollar contract in the trade. Also expected to be under con-

sideration at the March 23 meeting is the possible introduction of a white (refined) sugar futures contract in London.

The growing proportion of the world's trade in sugar is now in refined form, especially since the tremendous expansion in EEC exports of white (beet) sugar during the past decade.

London has been considering the introduction of a refined contract for some time, since it is realized that the world would be unpopular with the Paris commodity market, which has the only international white sugar futures contract in the world.

Meanwhile, Reuter reported from Brussels that the European Community will hold talks later this week with the world's three other leading sugar exporters to explain in detail its plans for a new International Sugar Agreement.

Senior officials from Australia, Brazil and Cuba will attend the talks on Wednesday and Thursday with a European Commission team headed by Director-General for Agriculture Claude Villain.

## U.S. plantings may fall

By NANCY DUNNE IN WASHINGTON

U.S. GROWERS of maize, wheat, soybeans, tobacco and sorghum are planning to make significant reductions in plantings in 1983, according to the Department of Agriculture.

The prospective plantings report is the first indication that the new payment-in-kind (PIK) programme will have a major impact on production. Under the PIK scheme, farmers are being paid with both cash and surpluses commodities from government stocks for agreeing not to plant on up to 50 per cent of their land.

The report says U.S. maize growers intend to plant 68.6m acres this year, down 15 per cent from last year. Producers of durum wheat expect to plant 2.94m acres, down 32 per cent. Spring wheat acreage is expected to total 14.0m acres, down 16 per cent.

Sorghum farmers intend to plant 13.1m acres, down 18 per cent, and soybean plantings are expected to total 68.6m acres, down 5 per cent. Only the acreage for barley is expected to rise, up to 9.65m acres, an increase of less than one half of one per cent from 1982.

## Chipping away at the rock of ages

ROCK SALMAN, a traditional mainstay of fish and chip shops, is no more. New food labelling regulations mean that fishmongers must now describe it as rockfish or catfish.

The Government aims to ensure that consumers know exactly what they are buying.

This founder of the conger eel becomes simply a conger to differentiates it from the freshwater eel. The label "salmon" will in future apply only to Atlantic salmon and Pacific salmon must be identified as such.

● LONDON gas/oil prices plunged yesterday. The March position fell by \$14.75 to \$22.25. Turnover is 5121 lots of 100 tonnes.

● THE Australian Wheat Board expects at least two years of difficult marketing conditions and is concerned about French, Canadian and U.S. use of export subsidies and credit.

● THE Winnipeg Commodity Exchange will start trade in its new Alberta food barley futures contract on Monday.

● TAIWAN expects rice production of 2.1m tonnes, down from last year's 2.37 tonnes.

● PENINSULAR Malaysia crude palm oil production rose to 3.25m tonnes in 1982, from 3.05m in 1981.

● INDONESIA's rice harvest will be 20.3m tonnes, compared with 22.3m last year. Indonesia is likely to import at least 2.3m tonnes this year. The smaller crop was blamed on drought and pest damage.

The ICO is to study a Soviet proposal to establish a joint marketing venture to facilitate marketing. "If terms and conditions for the joint venture are agreed upon, we should accept the proposal," said Fisheries Minister Iwao Kaneko.

## Brazilian exports egged on by red meat costs

Our correspondent looks at the success of the growing market for chicken

AS THE price of red meat soars, Brazil stands to gain an increasing share of the fast growing chicken market.

Seven years ago, Brazil exported no chicken. Today, it is the world's third largest exporter after the United States and France.

The first export, of 3,500 tons, was sent in 1975. This year, Brazil will export 320,000 tons of chickens and will earn about \$320m (£207.7m) from them, as prices are low. Total production will be 1.6m tons.

About a fifth of Brazil's production is now exported, 80 per cent of that to the Middle East, compared with 30 per cent of the French production, and less than 1 per cent of that of the United States, which will nevertheless export 400,000 tons this year.

Competition is getting increasingly tough, as the three countries and others compete for foreign exchange, and although Brazil's export volumes are up by 20 per cent so far this year, the price per ton is 17 per cent below that of last year, and earnings will be down.

A couple of months ago, Brazil signed its largest contract so far, to deliver 120,000 tons of frozen chicken to Iraq, during 12 months, at a price of \$1.00 per

per ton, 1,240 cif.

The French complain that the Brazilians subsidise their chickens, and cheap credit to farmers undoubtedly keeps feed costs low. But a United Nations team recently in Brazil was more concerned about subsidies the French put on, while

French farmers have recently tried to enlist the support of Brazilian producers against the French.

The United States, which

dominates the Far East, and the Caribbean markets, is keen to

keep a share of the Middle

East market, which Brazil and France have between them

built up since 1975, and now

share about equally.

Brazil's chicken export began

in 1975 with an act of faith. A Maltese-born businessman, now living in Brazil, Mr Nunzio Quairal, noticed while on a trip to the Middle East that virtually all the food there is imported. He also knew that Brazil already had a fast growing and efficient chicken industry.

The problem was, however, to get frozen chickens from Brazil to the Middle East when the only ships trading the route were oil tankers.

After touring the Middle East on behalf of producers and announcing to all and sundry that he had rather more orders than was in fact the case, Mr Nunzio set about convincing the state-run Lloyd Brasileiro shipping line that taking frozen chickens to the Middle East could be very good business for them.

Despite costing tens of thousands of dollars to ship a ton to Dubai, Mr Nunzio made his first

trip in 1976, and the

French followed, and there have been sales to Nigeria, and even Argentina.

Now, apart from Iraq, the best markets are Saudi Arabia and Egypt. Egypt was a market for Brazil, Mr Nunzio had first dismissed as being too poor to buy, although as having tremendous potential.

Now Egypt buys 35,000 tons

of chickens each year, and is

classic illustration of consumers moving away from beef to chicken.

In Brazil itself, the traditional meal always included a steak, but even here, where beef is relatively cheap, there has been a significant decline in its sales.

Per capita consumption has dropped from 22 kilos in 1973 to 17 last year, while there has been a corresponding rise in consumption of chicken meat, from four kilos to ten kilos.

If present trends continue, it will not be long before consumption of the two is about

equal.

To get a chicken to market weight (about one kilo) takes

an average of 50 days. For

chickens at one time or another, and there have been sales to Nigeria, and even Argentina.

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## CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

## FINANCIAL FUTURES

## Sterling weak on oil news

The dollar weakened in early foreign exchange trading as Eurodollar interest rates eased. But the market was very quiet with U.S. centres closed for Washington's birthday, and the U.S. currency showed little movement throughout the rest of the day.

Sterling was the centre of attention, falling sharply on the news that Nigeria had reduced its oil price by \$5.50 a barrel. The pound's trade-weighted index was at its lowest since October 1978, reflecting significant falls against major currencies, particularly those of the large oil importers such as West Germany and Japan. Sterling's downward drift against the dollar was in very thin trading, with dealers unsure about central bank intervention.

**DOLLAR** — Trade-weighted index (Bank of England) 118.8 against 120.2 six days ago. The dollar still shows a small rise on the year because U.S. interest rates have not fallen as expected. High Federal budget requirements have forced some firms, while recent indications of a more accommodative monetary policy and renewed hopes of a cut in the discount rate have so far had little effect on the exchange rate. The dollar fell to DM 3.950 from DM 3.990 against the D-mark; to

FFr 6.7825 from FFr 6.8025 against the French franc; to

SwFr 1.9930 from SwFr 1.9980 in terms of the Swiss franc; and to Y232.50 from Y239.90 against the Japanese yen.

**STERLING** — Trading range against the dollar in 1982-83 was 1.5265 to 1.5150, January average 1.5735. Trade-weighted index 80.2 against 80.3 at noon; 80.2 at the opening; 80.7 at Friday's close, and 81.5 six months ago. Sterling has ceased to decline as the rate rose in January and November, but is still very weak and vulnerable. Factors suggested as causing the decline include fears over lower oil prices and uncertainty about an early general election. Falling inflation, a decreasing budget deficit and one of the largest trade surpluses of any major industrialised nation appear to have been

ignored for the time being.

Sterling was at its high of \$1.5415-1.5425 in early trading, but was fairly steady at just below \$1.54 for most of the day, before falling to a low of \$1.5320-1.5330 in the afternoon. It closed at \$1.5335-1.5345, a fall of 85 points on the day. The pound fell to DM 3.6750 from DM 3.7025; to FFr 10.4025 from FFr 10.4480; to SwFr 3.06 from SwFr 3.0850; and to Y356.75 from Y361.

**D-MARK** — Trading range

against the dollar in 1982-83 was 2.5940 to 2.2410. January average 2.3900. Trade-weighted index 128.7 against 125.4 six months ago. The D-mark has been unsettled in the run-up to a March general election. Favourable trade figures and little hope of a cut in rates before March have helped to underpin the

currency however, and sentiment has improved recently on a weakening of the dollar.

The D-mark showed mixed changes at the Frankfurt fixing, but improved against the dollar, sterling and the Swiss franc. The Bundesbank did not intervene at all. The dollar was fixed at DM 3.9295, compared with DM 3.9495 on Friday. Sterling fell sharply to DM 3.6594 from DM 3.7140, but the French franc rose to DM 35.27 per 100 francs from DM 35.2350.

**JAPANESE YEN** — Trading range against the dollar in 1982-83 was 2.7735 to 2.1900. January average 2.4297. Trade-weighted index 146.3 against 132.1 six months ago. The yen has improved against the dollar, partly because of the attraction of Japanese capital and equity markets, with foreign interest rates had previously led to an outflow of

funds.

The yen gained ground against the dollar in quiet Tokyo trading. The U.S. yen fell to Y232.50 from Y233.77 after a fall of 100 points on news of a cut in Nigerian oil prices. Japan does not buy oil from Nigeria, but the prospect of price reductions by other members of Opec boosted the yen, after the dollar had opened at the day's high of Y233.70.

## Pound dominates

Movements of sterling on the foreign exchange dominated quiet trading on the London International Financial Futures Exchange. The March gilt price opened at 102-04, compared with 102-22 at Friday's close, and fell to a low of 101-18 following the announcement of oil cuts. Nigeria intends to cut the price of its crude oil by \$5.50 a barrel. The prospect of an oil price war has led to a downward spiralling of prices led to nervous trading in both the cash and futures markets, although traders were generally pleased that the pound stabilised at around \$1.54 for most of the day.

The further decline of sterling in the late afternoon came after Liffe had finished trading, however, and may be reflected in today's opening levels. Yesterday's closing price for March delivery was 101-23.

For Washington's birthday.

The pound's early fall also influenced trading in the short sterling deposit contract, where the March price fell 19 basis points to 89.15, but June lost only 10 points to 88.81.

Volume in the three-month sterling contract and Eurodollar futures was very low. The disappointing U.S. money supply figures on Friday seemed to have no influence on Eurodollar rates, although trading was too thin for any particular trend to develop. London seemed reluctant to give a lead, as U.S. markets were closed, and was content to mark prices up slightly in reaction to the easing of longer term cash market rates, and firm finish of the Chicago market on Friday.

Chicago prices quoted below are for February 18. Markets were closed in the U.S. yesterday for March delivery was 101-23.

## LONDON

## THREE-MONTH EURODOLLAR

\$100,000 32nds of 100%

March Close 91.12 High 91.31 Low 90.97 Prev

June 90.84 High 90.84 Low 90.76 Prev

Sept. 90.44 High 90.41 Low 90.40 Prev

Dec. 89.94 — — — Prev

Volume 285 (2,207) — — —

Previous day's open int. 2,926 (3,172)

THREE-MONTH STERLING DEPOSIT

\$250,000 points of 100%

March Close 91.25 High 91.25 Low 90.97 Prev

June 90.74 High 90.74 Low 90.56 Prev

Sept. 90.21 High 90.21 Low 90.10 Prev

Dec. 89.75 — — — Prev

Volume 70 (2,207) — — —

Previous day's open int. 2,926 (3,172)

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# SECTION IV

## FINANCIAL TIMES SURVEY

Tuesday February 22, 1983

# Qatar

## Ready to ride out the oil problems

By Patrick Cockburn

FROM THE top of the glistening white pyramid-shaped hotel which stands on one tip of the tiny bay around which the capital Doha is built, it is possible to see the homes of most of the Qatar population.

There are only some 70,000 citizens of Qatar and the tiny size of the state determines the political and economic life of the country.

Away from Doha, the country is an arid wasteland whose 4,000 square miles were inhabited by 25,000 people when the first oil exports started in 1949. In the years since, it has remained a small producer compared to most members of the Organisation of Petroleum Exporting Countries, but with the highest per capita income.

This income should allow Qatar to ride out a fall in the oil price or a drop in the world demand for its crude. Its needs are less and its resources more than most other oil states.

The cuts in expenditure of a few months ago are more a measure of the traditional caution of Sheikh Khalifa bin Hamad al Thani, the Amir of Qatar, than any real financial need.

Caution is the motif of almost everything that Qatar does, as it tries to keep an extremely low profile.

Only 120 miles from the northern tip of the Qatar peninsula lies the Iranian coast and Qatar has shared the growing apprehension of its oil-producing neighbours in the four years

since the Shah was overthrown been a heavy contributor to the Ayatollah Khomeini. These pan-Arab schemes.

The GCC also increases the defensive capability of the smaller oil states. Qatar's own spending on defence rose to \$900m in 1981, the highest per capita military expenditure in the world, according to the International Institute for Strategic Studies.

Most of these armaments have been purchased from Britain and France to which Qatar is more closely linked than it is to the U.S.

Yet the Iranian revolution has proved less of a threat to Qatar than some of its neighbours. The 70,000 nationals are a homogeneous group and the ruling al Thani family is believed to have some 3,000 male members and thus form a significant part of the population. They occupy most of the strategic positions within the power structure, but wealth has been spread around within the Qatari community.

The Amir has also remained very much in control of all aspects of political and economic life. It is reputed that all government cheques above a certain value are signed by him. This gives a cohesion and a direction to policy greater than in other oil states.

Apart from concern over Iran and Israel's invasion of Lebanon last year little outside their borders appears to concern the Qataris. There is, however, a long tradition of tension between Qatar and Bahrain which was one reason why Qatar did

not join a broader Gulf federation which Britain sought to promote before leaving the area a little over 10 years ago.

The latest example of this tension came last year when the issue of the ownership of Hawar Island, on Qatar's eastern coast, resurfaced and led to some verbal sniping between the two states. Saudi Arabia is now mediating and tension seems to have eased, but a certain latent hostility remains.

But the most significant question in Qatar today concerns gas not oil. For several years the Government has been trying to decide what it should do about its massive gas reserves in the offshore North Field. A full scale development looks less and less attractive because of the weakness of the world gas market. The investment needed might also strain even Qatar's financial reserves.

A more measured development of Qatar's gas resources now looks more likely. It would also be in keeping with the way in which Qatar is run for the Government to avoid anything which would have a radical impact on the economic status quo. There is also concern about the small proportion of the workforce which is Qatari though this is by no means out of line with the rest of the Gulf.

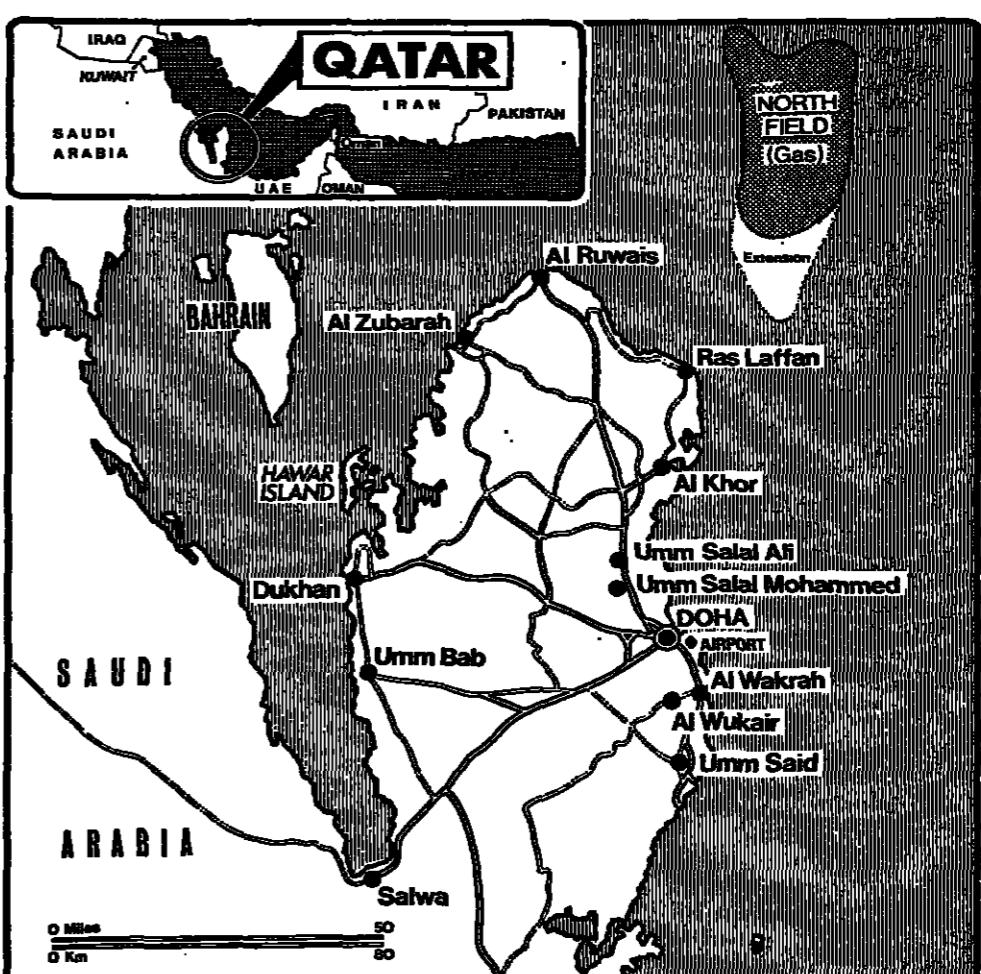
The rise in oil prices, sparked off by the Iranian revolution, has been much more cautiously treated. In 1980 and 1981, oil revenues peaked at about \$5.5bn, before sinking to about \$3.5bn last year.

At the same time, oil production has been brought down to below the 300,000 barrels a day mark — Qatar's quota decided by the Opec meeting in Vienna last April. In the late 1970s, Qatar was producing 500,000 b/d and today the Government would clearly prefer a production level nearer the 400,000 b/d.

But the most significant question in Qatar today concerns gas not oil. For several years the Government has been trying to decide what it should do about its massive gas reserves in the offshore North Field. A full scale development looks less and less attractive because of the weakness of the world gas market. The investment needed might also strain even Qatar's financial reserves.

The drop in oil demand is also less serious for Qatar because it has reacted less enthusiastically to increased oil revenues after 1978 than it did in the mid-1970s. At that time the surge in oil prices led to hectic construction in Doha, congestion in the port and heavy inflation which was only brought under control in 1977.

Eventually, some time over the next three decades, Qatar will need to exploit North Field as its oil reserves diminish, but that is hardly necessary for the moment. It seems likely that Qatar will wait until gas market conditions are more propitious.



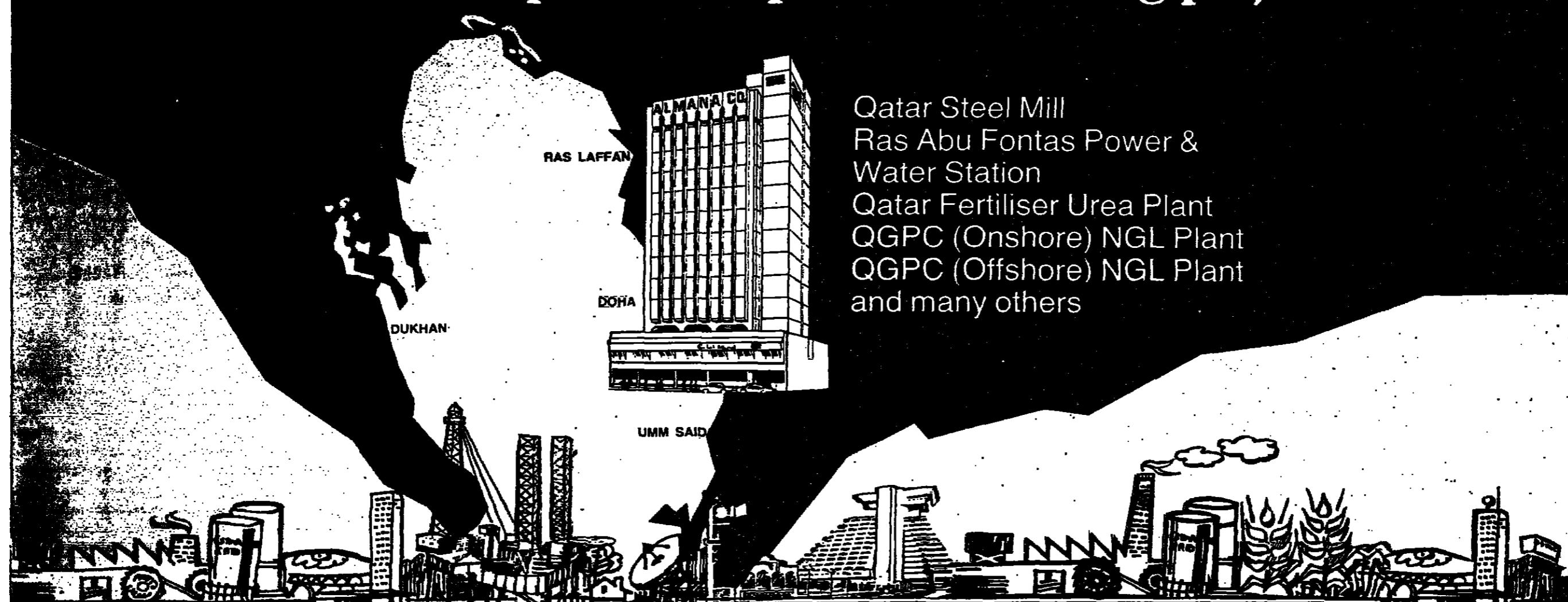
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The Amir, Sheikh Khalifa bin Hamad al Thani

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## QATAR II

## April Budget holds key to expenditure

THE FALL in oil revenues as a permanent feature of economic life has come as a shock to Qatar as to most of the Organisation of Petroleum Exporting Countries, though the practical consequence of the drop will be very limited for most Qataris.

Everybody is now looking to next April's budget to see the Government's plans on future expenditure. In the medium term much depends on the pace at which Qatar decides to develop its gas reserves, but few now expect full-scale exploitation of North Field.

Oil production has now dropped to below the 300,000 barrels a day quota agreed by Opec in Vienna last April. In

January it was down to 280,000 b/d or only a little above half the production rate of 1978-80. This is clearly less than Qatar would like and it has exacerbated the problem of supplying industries at Umm Said with gas.

It has also led to a fall in revenues from about \$5.5bn in 1980 and 1981 to an estimated \$3.5bn last year and probably a further decline this year. The Government has tended to react to the fall in oil income by delaying payments and postponing projects. These are of modest dimensions and, aside from the endlessly-discussed North Field gas scheme, development over the next few

years is likely to proceed at a sedate pace.

This has been official policy since the 1974-77 boom ended. In 1977 many schemes were rescheduled or dropped and, as now, payment by the Government was delayed. The managing director of one company said: "Right through the contracting business people are not being paid and advance payments are difficult to get." A banker adds: "If the palace doesn't sign cheques, there is no money coming into the system."

But these problems are very minor compared to most of Opec. Though Qatar's reserves are not in the same league as

BREAK-DOWN OF CREDIT FACILITIES  
(as at June 30 1982)

	QR 000's
Government and government agencies	553,599
Housing and construction	889,326
Industry	147,937
Agriculture	3,240
Personal	675,097
Lands	34,796
Banks and financial	49,216
Transport	105,056
Merchandise	2,532,545
Professionals	90,358
Other	203,472
Total	5,284,642

Source: Qatar Monetary Agency.

start even limited exploitation of the huge gas reserves. "Anybody would be crazy to take business decisions on the basis that North Field will go ahead," said one local businessman. Others are more optimistic, but even if a decision to undertake some gas projects is taken, this will not necessarily lead to a big boom in Qatar.

But the key to Qatar's economy remains the price and volume of its oil exports. The reduction in oil production to below 300,000 b/d is uncomfortable and may limit the pace of development. It will also, of course, in the long run have the benefit of prolonging the life of Qatar's oil reserves.

## Modest

The 1978-79 oil price rises in Qatar led to none of the hectic boom conditions seen in the country immediately after 1974. Government spending received only a modest boost as oil prices began to go up again at the start of the Iranian revolution. This in turn has ensured that the weakness of oil demand in the world will have little effect on Qatar.

There are those in Doha who now argue that the moment to develop North Field was two or three years ago, when the price of gas was steadier and the main potential consumers in Japan and Europe had not decided the source of their future supplies.

Even in retrospect, however, it is difficult to believe that such a massive development at that time would have been of much benefit to Qatar. Instead, the Government now seems to be holding at a more modest one.

Patrick Cockburn

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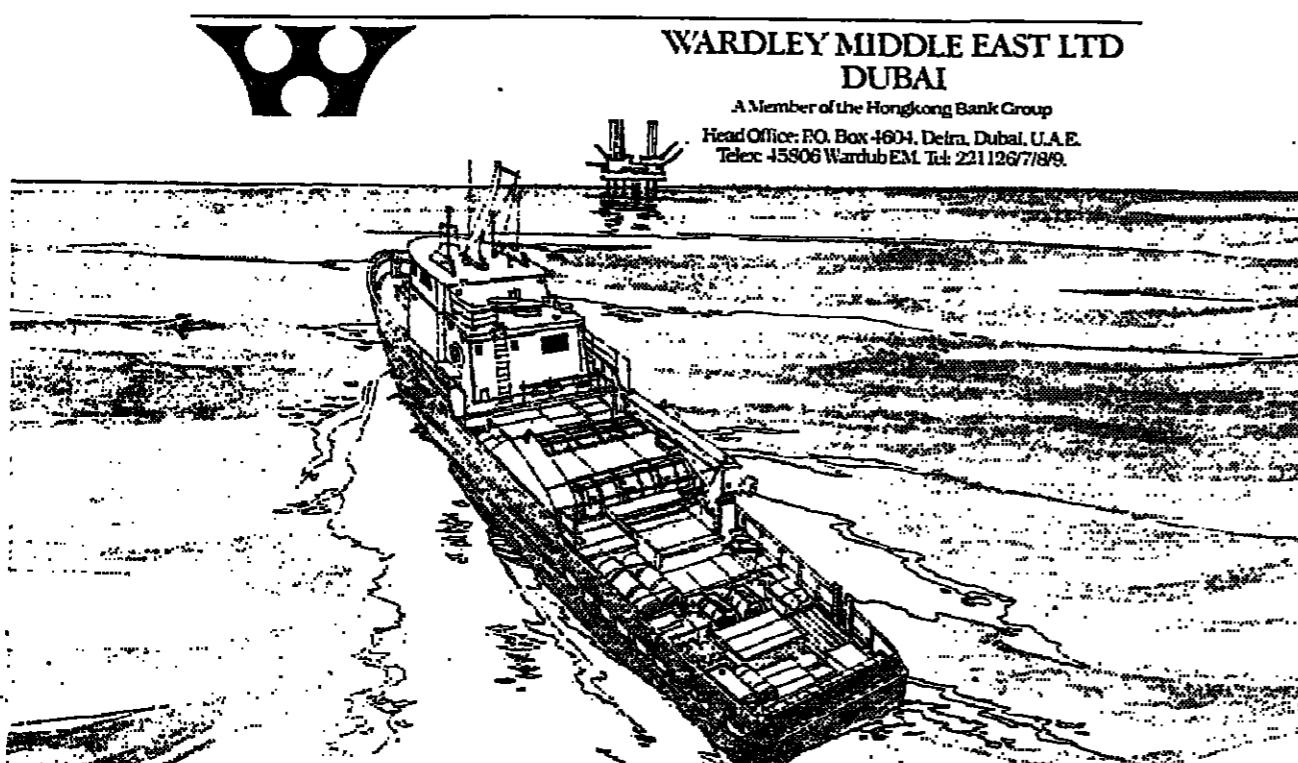
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Terry Kirk  
The Ministry of Foreign Affairs. The defence and aid budgets have increased with Gulf tensions

## Rate of interest causing strains

IN 1982 Qatar's bankers and officials from the central Monetary Agency have been indulging in polite but barbed public discussions on the local radio station about the problem which has plagued the banking community in the country almost since independence.

That problem is the rate of interest allowed in Qatar. In an effort to avoid the kind of inflation rates which have marked other economies of the Gulf, Qatar has long restricted lending rates to 9.5 per cent and interest on deposits to 7.5 per cent.

It is hardly surprising, therefore that over the last two years considerable sums of money have flowed out of the country, attracted by high interest rates available elsewhere on the dollar. Bankers say the outflow has eased somewhat over the past few months but it appears that a large part of the earlier outflow has remained outside the country. Very little has returned, though the gap in interest rates has narrowed.

The interest rate system has placed all kinds of strains on both the economy and the banking sector. The Qatar Monetary Agency (QMA) accuses the banks of depriving the private sector of much needed credit while the bankers say they are not responsible for the high interest rates abroad or their customers' desire to take advantage of them. But coupled with restraints on expenditure from the Government the result has meant a further tightening of credit all round.

The effects can be seen in many ways. Over the last two years savings and time deposits from the private sector in local currency fell from QR 1.7bn in 1980 to QR 1.6bn in 1981, a drop of 12 per cent. Last year this trend continued, with a further decrease of 3 per cent.

In contrast, foreign currency deposits shot up from QR 983m in 1980 to QR 2.3bn in the following year to a total last November of QR 3.1bn. This represents growth rates of 134 per cent and 52 per cent respectively. Foreign currency deposits made 41 per cent of total private deposits. Furthermore, there was some QR 2.3bn due from banks abroad and another QR 1.96bn due from bank branches overseas.

Naturally, such trends curtailed the growth of bank credit to the private sector. Credit grew 13.2 per cent from the end of 1981 to November last year from QR 4.5bn to QR 5.1bn in November last. This compares with a 22 per cent increase during 1980.

The search for relief from the low local interest system led many banks in Doha to use the "Thursday money" technique. Money is placed outside at the close of business over the Muslim weekend and comes back at the start of business in Europe.

Many banks say they are well extended on their loan portfolios, running at 85 and 90 per cent, with some saying that in the past ratios were running on occasion at 100 per cent. This led to tightening up measures which occurred at a time when Government payments to contractors were being slowed.

A number of managers around town express concern about their ability to cope with any boom in business which might result from the go-ahead given to the North Field gas project. Even officials at the QMA say that unless the Government pumps money into the market "everything will become more complicated." Both sides are pinning their

hopes on a promising budget this April. The start of the Wusail power plant, Qatar's largest project to date, will generate some inflow into the economy, though its effect is unlikely to be felt until the beginning of 1984.

There appears to be very little sign of relief from the QMA itself. A plan to institute swap facilities and other measures is still under study. Officials say they want to introduce some legal reserve and capital requirements as part of the package but until such time as the banking situation eases, they feel such measures should be held over to better times.

Another factor that may aggravate the already intense competition for business among the banks is the possibility of another two banks entering the market. The Qatar Islamic Bank is likely to open its doors to the public this spring and by its very nature is likely to attract not only Government deposits but substantial accounts from the private sector also, particularly the interest-free deposits.

The other bank proposed for licensing is the Al Ahli bank, formed by a number of leading local businessmen and sheikhs. QMA officials suggest that it may be some time before this bank receives its licence. There will be room for them in the future," said one senior official "assuming the financial situation improves."

It has always been the local banks which have been the recipients of Government money — the Qatar National Bank is still absorbing some 40 per cent of all deposits. The prospect of more entrants to this tiny market is even the more secure banks to suggest that this could lead to more competitive lending.

Perhaps the most dramatic event of the year was the closure of the International Finance Exchange (IFEC). The money exchange firm was reported to be dealing heavily in metals and commodities, and last April was unable to meet its commitments. The company is now in liquidation and reported to be owing around \$30m, though this could not be officially confirmed. As the company was established under a code of limited liability its owners cannot be sued for personal bankruptcy.

Nevertheless, the whole incident has left a bad taste in the mouths of the commercial community. For some people on Doha's oil committee of the exchange house, which was also found to be accepting deposits, was a disaster. One Asian nurse was said to have lost her entire life savings.

The demise of IFEC had posed questions also about the potential success of bankruptcy cases against prominent persons in Doha.

When IFEC went into liquidation, the QMA established new laws enabling their officials to monitor the activities of the exchange houses, which had previously been licensed for operation by the Economy and Trade Ministry. The result of these inspections over the 20-odd exchange houses was that two other companies came under control.

The Arabian Finance company is now said to be attempting to reschedule its debts and has already paid "a remarkable portion," says the QMA. Its management has been taken over by the Central Bank of

India, a commercial banking institution, and within the next year or so the situation of the company will be on the way to repair.

The other company, Middle East Finance, is said to have the worst problem following its losses in foreign exchange dealings. A number of foreign banks are attempting to take legal proceedings against the owner in Qatar but local businessmen say that such a task may be difficult.

With regard to prospects in 1983 many bankers believe things could be tight unless more funds are injected into the system by the Government during the year. At the moment, whenever the economy needs a breathing space, the Bahraini offshore banks provide

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## QATAR III

Doha is hungry for business but the downturn in government spending is having a serious effect

## Traders gloomy about the home market

**QATAR'S LATEST** showpiece is undoubtedly the Doha Sheraton. Billed as the world's most expensive hotel to construct (about \$400,000 a room), it sits in isolated splendour in the new West Bay area which has been earmarked as Doha's most important residential area. In many ways this marble monolith seems rather irrelevant to this former Arabian fishing village by the sea, even allowing for the oil wealth.

Like all else in Doha it is hungry for business. Walking through the acre upon acre of carpeted air-conditioned emptiness, the hotel's Egyptian-born manager bemoaned his 42 per cent occupancy rate. "I wish we had something like this in Cairo," he said wistfully.

The hotel is truly staggering. The main convention room which seats over 700 people is equipped with TV transmission facilities, endless Press rooms and interpreters' galleries, all of which were only used three times last year. "Well, we have the Gulf Co-operation Council (GCC) summit coming up next November," said the manager with forced cheerfulness as he led me through the unpeopled empty VIP room.

The GCC is going to provide more than hotel visitors in the next few years, however. Under the terms of resolutions passed by the last Bahrain summit Gulf nationals will be able to start businesses in any member state without the need of a local partner. But like many of the GCC resolutions the implementation of this new rule has been put off for another five years. Nevertheless, it will provide one of the greatest challenges the Qatari trading houses have ever had to face and already many fear as onslaught by the Kuwaitis and their money.

Qatari government officials say the one thing that may prevent that is the fact that Qatar is, after all, the smallest market of the GCC states. "Our market is limited and therefore might not be so attractive," says Kamel Saleh, commercial adviser to the Emir. He hopes that Gulf nationals looking at possible investment in Qatar will decide to take a local partner because "real co-operation will bring real results."

Fortunately the GCC has put off the sticky question of land ownership. A group of experts is said to be studying possible resolutions to distinguish investments in property for personal and investment purposes. "The interests of every nation have

to be protected from speculators," says Saleh tactfully. The last thing the Qatari want is a disturbing influx of Gulf investors into an economy which has been so carefully nurtured and constrained by the Government over the last five years.

Qatari merchants are gloomy about prospects in their own home market and are pinning their hopes on a good budget in April this year. Many have already learnt to live without the bonanza expected from the development of the North Field, perhaps because the decision to go ahead has been awaited for so long. Ironically, that decision may be only a few months away, though no-one is stockpiling or making any other preparations in anticipation. "Even if they said yes tomorrow, it would be months before they started tendering on anything," said one businessman.

### Records

Moreover, even though many trading houses complain about the level of business generated by the government and the downturn in expenditure, most of the major houses are notching up healthy growth records in sales and profits. Al Mana group report a 17-18 per cent growth in profit and a 20 per cent jump in sales. Kassim Darwish Fakhroo says its turnover went up by 20 per cent last year.

All companies in Doha, even the largest, depend on the Government for 40 per cent and more of their business. The downturn in oil revenues and the resulting slowdown in payments has hit the construction industry particularly hard. Some contractors report being given up to seven months behind in receiving their payments from the Finance Ministry, though it is hard to assess just how much these delays are accountable to mere red tape or to a deliberate policy of slowdowns.

What is also worrying some companies are the reports that advance payments in contracts will not be made in future. Government officials say only that such payments will not be automatic from now on and the terms for each project will be spelt out in the tender documents. This is likely to put even more pressure on the local banks who have been funding contractors while they wait for payment.

Like many other Gulf countries, Qatar has always chosen the cheapest bids on any project. Some of the bids put forward, particularly by local contractors, have been ridiculed.

reliably consumer durables as well as equipment.

In 1981 imports from Britain totalled \$158m, which although small compared with other nearby Gulf markets is a considerable amount for a population of around 250,000 people in a country about the size of Yorkshire. Last year, over the period January to September, some \$188m of exports were recorded, representing a growth rate of 91 per cent over the previous year's figure of \$98.5m for the corresponding period. However, most of this growth can be accounted for by defence sales.

Local government officials point out that while Britain has consistently remained in second place in Qatar's import league, when invisibles such as tourism and medical expenditures of Qataris in London are taken into account, the amount would look much larger. After the UK the imports list come the U.S., West Germany and France.

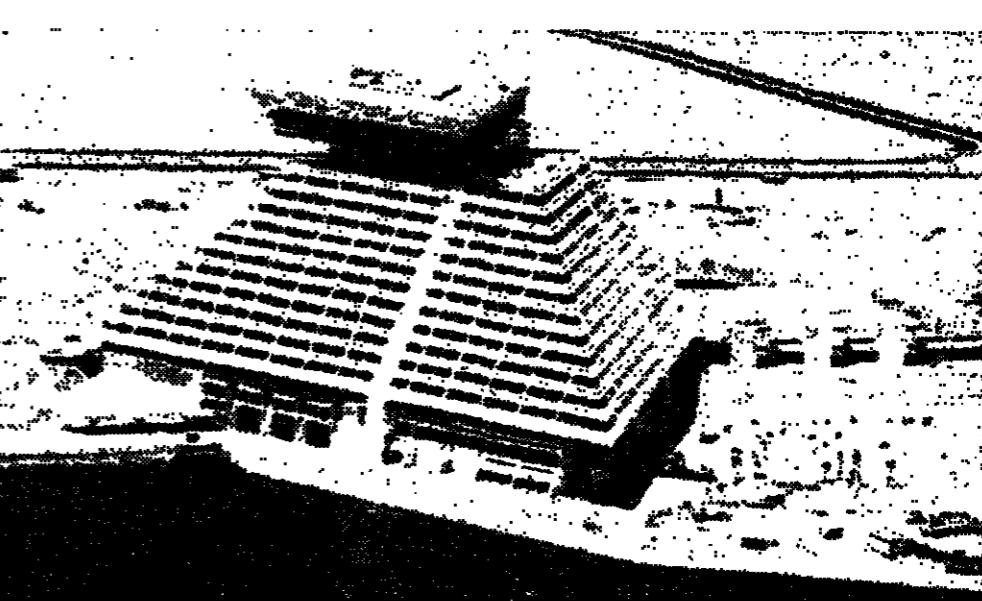
Doing any business in Qatar can be an extremely costly

affair. Although local companies say the accommodation situation will be somewhat eased over the next few months as new houses come on to the market, current rents are so astronomically high.

A four-bedroomed villa suitable for a senior executive is going at about QR 18,000-QR 20,000 a month or nearly £3,500. A leading bank manager in Qatar was recently offered a large villa renting at the price of a central London apartment—around £90,000 a year. Even two-bedroomed flats are currently renting at QR 6,500 or £1,100 a month.

Visiting businessmen can expect to pay around £50 a night in Doha for a single room per night. This rate might go down soon though, for Doha's hotels are extremely anxious for custom. The homely Gulf Hotel is notching up occupancy rates of around 40 per cent. As for the others, local residents wonder why they were built at all.

Kathleen Evans



The Doha Sheraton. The country's showpiece, with its vast conference facilities, awaits an upsurge in the number of visitors

There is less enthusiasm about the continuing flow of cash to Baghdad

## Foreign policy overshadowed by Gulf war

if it comes at all, through Saudi Arabia or the GCC.

As elsewhere in the Gulf many Qataris listen to Iranian radio from Ahwaz which denounces the rulers of the western Gulf but this probably has less impact than in the UAE or Bahrain. Qatar's enormous wealth guarantees it against any significant domestic dissidence. Less than 10 per cent of Qataris are thought to be Shi'ah and internal security seems to concentrate on the 15,000 Iranians.

The Gulf has become a far more dangerous place for a small but rich state like Qatar since the overthrow of the Shah in Iran in 1979. In the north of the Gulf the Iran-Iraq war still continues, an ever-present threat to the rest of the area.

And the blame for the downturn lies with the decline in Qatar's re-export trade to Iran which was almost dried up because of the Gulf war. However, Doha has never functioned as the entrepot port as much as Dubai has and indeed Qatar imported some QR 155m of goods from the Emirates in 1981.

Britain's market share in the latest available figures is put at 18 per cent and although in second place to Japan the trade consists of a steady stream of

to the great powers. In trade and military supplies Qatar looks primarily to Britain and to France.

As a result Qatar is at a greater diplomatic disadvantage from the U.S. and Saudi Arabia and this is reflected in the arms purchased or ordered over the past few years. It is unlikely that the postponement last month of the visit to Qatar by Mr Francis Pym, Britain's Foreign Secretary, as a result of the row over the Arab delegation visiting London will have much long-term impact on the British position.

**Co-operation**

The Hawar issue is important because it stands in the way of broader economic co-operation between the two states. Saudi Arabia is interested in a Gulf gas pipeline and it would be logical for part of Qatar's gas to fuel some of Bahrain's industry but this is unlikely to occur so long as the rival claims to Hawar island remain unsettled.

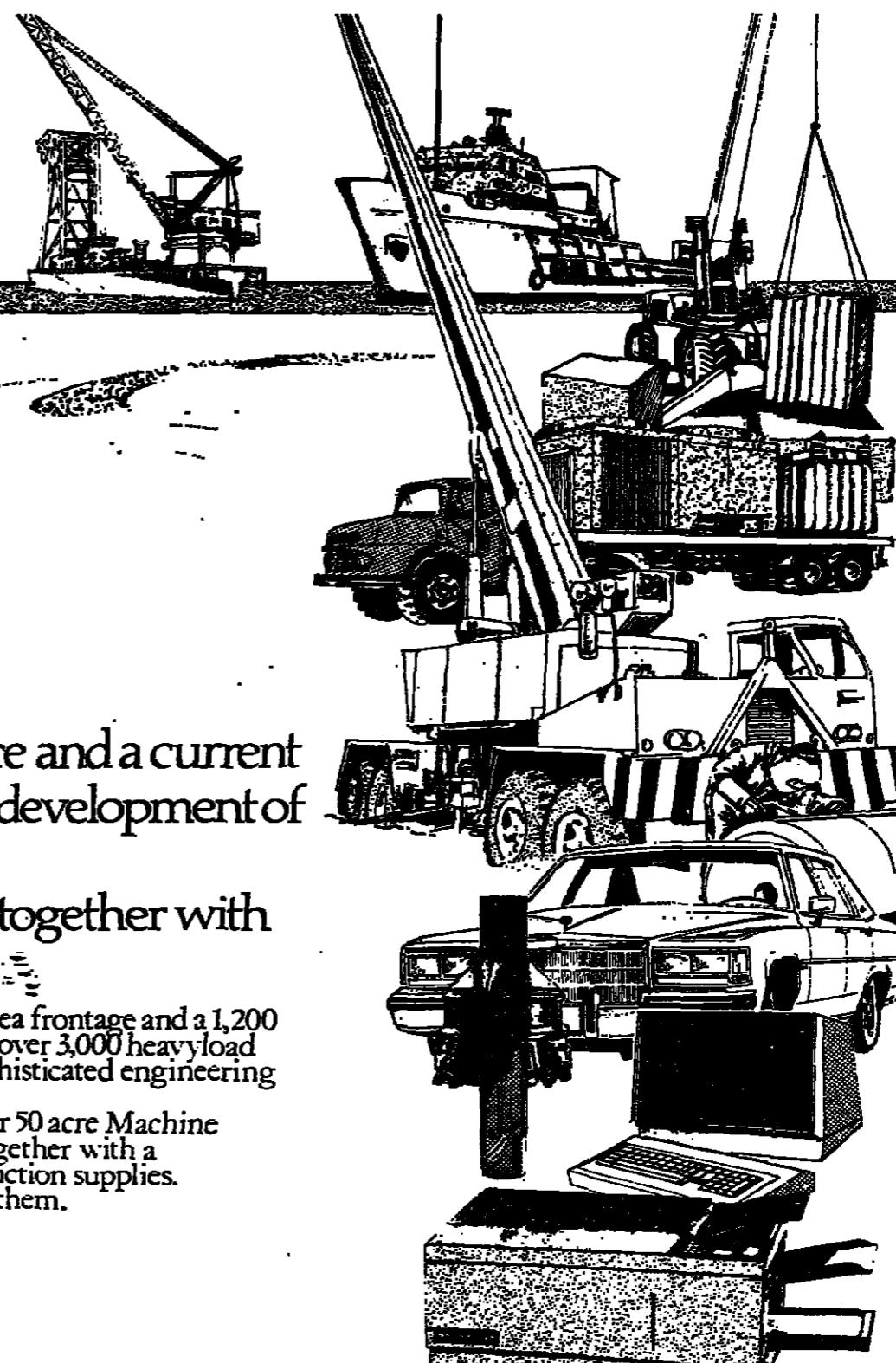
Despite the general tendency for Qatar foreign policy to mirror that of Saudi Arabia it does differ in its relationship

to the great powers. In trade and military supplies Qatar are more in the nature of a trip wire to an Iranian attack—if it ever came—rather than a real deterrent. Qataris are being encouraged to join the armed forces but they inevitably depend for much of their manpower on expatriates. No less than 18 different nationalities are represented within the armed forces as a whole, which are estimated to total some 6,000 men. Another 2,000 are in the police.

Over the next year the prime concern of the Qataris will be the continuing Iran-Iraq war. There is little they can do about it but there remains a fear that the Iranians might comprehensively defeat Iraq. The fall of Khorramshahr last year created shock waves up and down the Gulf. Further away the Israeli invasion of Lebanon has continued to create ripples sometimes underestimated by diplomats. But in Lebanon as in Iraq the past few years have proved the limits of oil money as a weapon of foreign policy.

Patrick Cockburn

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## QATAR IV

Lower oil revenues have forced the postponement of government projects, stopped the development of others—and tariffs are on the agenda

# Major industries feeling the effects of world recession

QATAR'S semi-government industries have not had an easy year in 1982 despite the bonus of cheap energy supplies they enjoy. Much like any other Western industrial sector Qatar's four major industrial projects have felt the effects of the world recession keenly. For some the knock was doubly hard because of the shortage of energy supplies they suffered. With the slump in world oil demand Qatar's oil production, and therefore associated gas supplies, causing a number of plants to operate at a fraction of their design capacities.

The decrease in the country's

oil revenues also resulted in the postponement of two major government projects. A project to expand local cement production has been put off and another venture to go into production of high density polyethylene has been postponed until the gas supplies are assured and world markets improve.

As Said Mishal, Qatar's chief industrial strategist, sums up the year: "We are not on the moon. The world recession hit us just like everyone else."

In the future Qatar's industries could also find themselves facing competition from other nearby plants in the Gulf un-

less the rhetoric expounded at conferences of the Gulf Co-operation Council takes a more practical form of implementation.

Mishal says that discussions on how to avoid future inter-Gulf competition are already taking place at all levels, from ministerial down to committee, through subsidies, it was only fair that the Gulf states take similar support measures. "In the Gulf area you can't manufacture a Kleenex without government support."

Co-operation among the Gulf states is vital to Qatar's steel manufacturing plant in particular. Within the next three months Saudi Arabia's own 800,000-tonne plant is due to come into operation, which will undoubtedly affect Qasco's largest market. The Kingdom is presently absorbing some 45 per cent of Qasco's total export sales.

Mishal says he does not see the forthcoming Saudi production of steel as an obstacle, for even the combined output of both plants is insufficient to meet Saudi Arabia's demand for steel bars. Dr Motomi Kano, Qasco's general manager, says the two plants are already co-operating in a number of ways.

Qasco is also training employees for the Saudi plant and a committee has recently been established between the two companies to discuss marketing programmes.

Dr Kano points out that Saudi requirements reach 1.5m tonnes a year and there is room enough for both in the market. At the moment the largest provider of steel to the Kingdom is Japan, though Qasco says that the recent strength of

the Japanese yen has enabled them to begin negotiations on a \$20 to \$30 a tonne price increase in Saudi Arabia.

Another major market for Qasco is Iraq and if the Gulf war were to be terminated this year then this market could also face some whittling down. Iraq has its own 1m tonne a year plant at Basra, which lies idle and damaged because of the conflict. With the expected resurgence in construction in post-war Iraq, this plant is likely to be resurrected as soon as is possible. "If there is full production in Basra, this could be a problem," concedes Dr Kano.

## Lucky

Qasco has been lucky in one way, though, in the fact that unlike other industries in Qatar it has a secure supply of gas from the Khuff field. Production has therefore been more than maintained in 1982 and Qasco is currently running at 140 per cent of its capacity. Output last year went up to 385,000 tonnes compared with 472,000 tonnes in 1981.

But with the drop in world prices for steel Qasco found itself in a similar position in 1982 and ended with a net loss. Mishal says the loss was "small and tolerable" and points out that with last year's high interest rates Qasco was forced to pay out QR 85m on the loans it took for the original capital investment.

Qatar's petrochemical plant, Qapco, found itself suffering from the same problem. Last year \$75m of refinancing had to be arranged to help the plant meet interest payments.

## Regulations aim to rebalance foreign community

# Government seeking more Arab workers

LIKE OTHER small oil producers on the western side of the Gulf, Qatar has long relied on foreign workers for the bulk of its labour force. In Doha's south-west of the shopkeepers and their customers appear to be Pakistanis or Baluchis. Qatari citizens make up only 14 per cent of the workforce.

The exact balance between nationals and expatriates in Doha is unclear but diplomats estimate that the total population is close to 300,000 of whom 70,000 are Qatari citizens. Thus Qatar has about the same number of nationals as Abu Dhabi and, as elsewhere in the

Gulf, this population is growing rapidly by about 3.5 per cent per year.

But this is nowhere near sufficient however to meet Qatar's need for manpower. Migrants have flooded into the country ever since oil was first exploited in 1949 when the number of Qataris was roughly estimated to be about 25,000.

By 1970, when development was still at an early stage, immigrants already formed 60 per cent of the population.

Over the past decade, in common with the rest of the Gulf Cooperation Council, the proportion of nationals in the population as a whole has continued to decline. Most of those arriving are from the Indian sub-continent who make up the vast majority of the unskilled and semi-skilled labour force.

Many senior advisers to the Government are Palestinians, some of whom arrived in the 1950s, but it does not look very likely that government efforts to increase the Arab proportion of the labour force will have much success.

There are thought to be about 25,000 to 30,000 Palestinians in the country though no precise or reliable figures are available. Almost every Arab state has contributed to the flow of migrants. In the Army alone, for instance, 18 different nationalities have been identified. The blue uniformed police force draws many of its recruits from the Sudan.

The Government last year introduced a new policy of seeking to increase the number of Arab workers. Its method is to sign government to government agreements with Arab states with a labour surplus such as Morocco, Jordan, Tunisia and Egypt. So far, however, this has still to show results. In 1981, Arab nationals made up less than 10 per cent of the total of 19,000 work visas issued.

It is difficult to believe that the new government regulations will do much to reduce the predominance of Asians in the work force. Much the largest foreign community is from Pakistan which may total about 100,000 or a third of Qatar's total population. Indians are estimated to number 35,000.

Many of these are from the western Indian state of Kerala, which has long had close links with the Gulf, and they provide much of the clerical staff in private companies and government departments. Qatar differs from Dubai, however, in that there is no strong Indian middle class of merchants.

The Qataris show only intermittent concern over immigrant labour from the sub-continent. It poses no political threat.

Nevertheless there is evidence of tightening up on foreign workers.

Last year the sponsor/agent law was changed making it very difficult for a foreigner to change jobs within Qatar without leaving the country. "To everybody's surprise the Government is strictly enforcing this," says a diplomat.

Much the largest European community in Qatar is British, believed to be somewhere between 8,000 and 9,000 and increasing rapidly according to

UK expatriates.

By no means all are employed at managerial levels and the lower wages and salaries in Britain compared to much of the continent clearly put British employees in a competitive position. "More are out there to save money for a mortgage or their children's education after which they leave," one local manager said.

The critical division in Doha as in the other oil states is between nationals and non-nationals.

There are, in effect, two labour markets: Qatar and non-Qatari. "The conditions of entry, rewards for effort, the criteria of reward, the type of work done and the intensity of work are different for each group," according to an authoritative study of the Qatari labour market.

"The traditional incentive to work, the need to earn a living, may not be relevant to Qataris who often receive an income without working or without working particularly hard."

Most of the estimated 20,000 in the Qatari labour force in any case works for the Government. Some 47 per cent of the 24,000 people in the state sector were Qatari in 1980. A study of 72 Qatari students at Qatar University in the late 1970s concluded that most saw the civil service as the most attractive career open to them.

An important change over the next decade in Qatar is that the number of Qataris entering the labour market will rapidly increase because the average age of the national population is very low. In the current academic year there are 45,730 students studying in 159 schools in Qatar, not counting the university.

In the foreseeable future almost all manual labour and the vast majority of the labour force will come from abroad. Vocational training will hardly make much of a dent in this. Self-sufficiency in manpower is a very distant prospect.

Between now and the end of the century an increasing proportion of the senior managerial jobs in government, and perhaps also in the private sector, will be taken by new Qatari graduates.

This situation, as with so much else in Qatar, can be modified if the Government gives the go-ahead for the development of North Field.

This would inevitably lead to increased demand for manpower and a further influx of immigrants, though the fashion in the Gulf over the last five years has been for major industrial projects to be built by workforces living so to speak in enclaves rather than becoming part of the local labour market. Once the project is completed they depart.

North Field would also lead to a change in the circumstances of expatriates already in Qatar. Local rents and real estate prices, already high but expected to fall, would escalate.

The sedate pace of development of the economy would turn into a boom not previously seen in the country.

The knowledge that this would happen is one of the factors restraining the Government from initiating the North Field project.

Patrick Cockburn



The Qafco fertiliser plant. Qafco has stayed in profit though at a reduced level

The company's French partner, CDF Chimie, is said to be pressing the Government to go ahead on the North Field project so that Qapco can be assured of gas supplies as soon as possible. Said Mishal says that in the intervening period, gas from the Dukhan fields can be used to put Qapco back to full operating capacity.

Such shortfalls led to a loss of \$18m in polyethylene income and \$40m in ethylene together with low figures registered for the plant's sulphur production. Total losses for 1982 are expected to work out at \$80m.

Qapco was further hit by the drop in world prices for its products. For example, low density polyethylene fell from \$1,000 a tonne two-and-a-half years ago to around \$600 a tonne today. "We have one plant just as the market dropped," says Qapco general manager Yves Michaux ruefully. Such factors combined with the existing over-capacity in Europe resulted in the Qatar Government's decision not to go ahead with its plan for high density polyethylene production.

Qafco has at least shown some profits in 1982, though at a much reduced level over previous years because of depressed world markets. Over the past 12 months Qafco produced 662,000 tonnes, of which ammonia accounted for 528,000 tonnes, and the plant managed to sustain a 90 per cent operational level. Gas supplies have been maintained by supplementing the associated supply with Khuff gas. However, the use of Khuff gas has necessitated the installation of a QR 20m desulphurisation plant.

Total income of Qafco in 1982 was about the same as the previous year, says its general manager, Ingulf Skogstad. However, profit levels were substantially reduced on the QR 70m registered in 1982.

One such project is the recently established joint venture between the Al Mana group and Oteirnall, the wholly owned British subsidiary of the U.S. Westinghouse group. The company will be producing electrical distribution switchgear for the Gulf market. Its one-year sales target has already been met in two-and-a-half months of operations, say Al Mana executives.

Kenneth Whittingham

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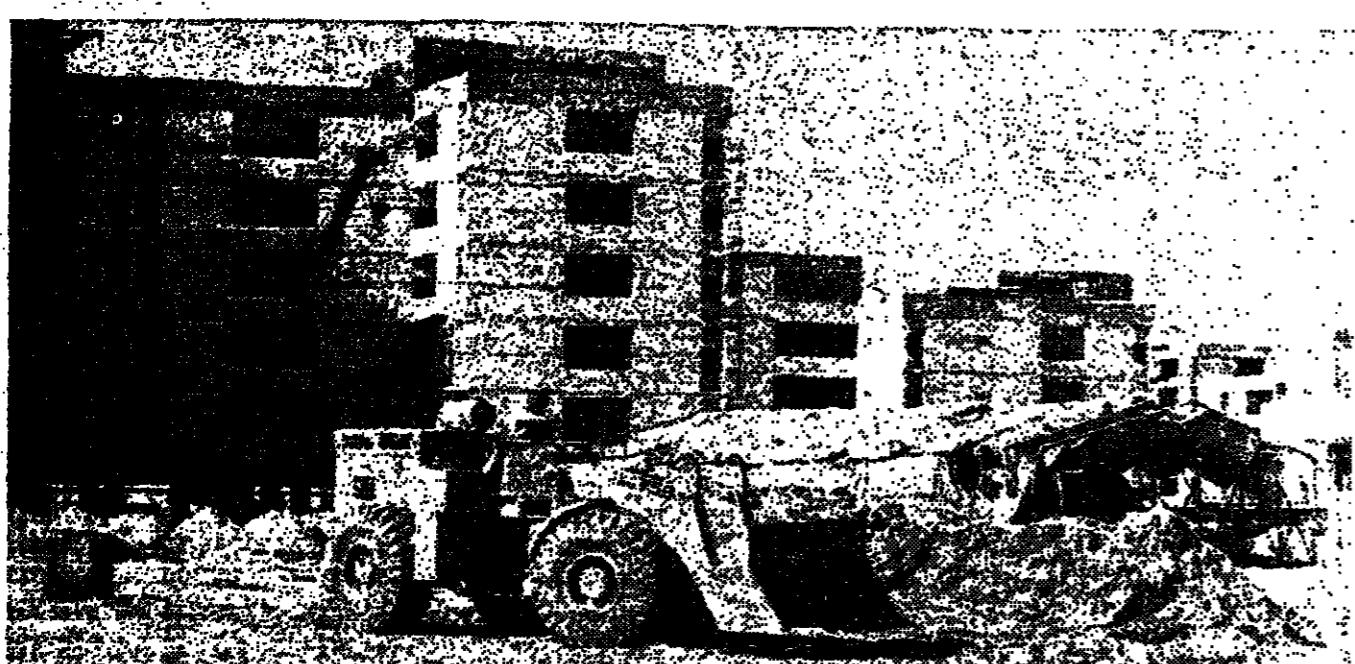
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## QATAR V



Municipal housing for the Qatar government during construction. The government has had full control over all building in West Bay because it owned the land

New town shows the benefits of reclamation

## West Bay scheme takes shape

THE KEYS to 500 houses in the new West Bay urban development area will shortly be presented to low-income group Qatari families. It will mark another important step in the steady process of breathing life into a project which is something like building a Legoland city on a large scale.

Eight years ago the north-west end of the bay of Doha simply faded into a morass of stinking salt flats—unpleasant for the residents of fast-expanding Doha and quite useless to fishermen and farmers alike.

The Government, already thinking in terms of the year 2000—the target for completing development before the oil runs out—opted for a radical solution to solve the many problems facing the city of Doha.

Work began on reclaiming from the sea an area of some 1,500 acres. Dredging by Royal Bos Kalis Westminster began in 1974 and was completed in 1981 to provide a perfect coastline and land for urban development.

The reclaimed land, according to official figures, cost around Qr 5 per square foot, compared with prevailing selling prices of some Qr 40. More importantly the land belonged to the Government and thus the Government had full control over what should be built where, and over standards of design and construction. Such control would have been out of the question if the land was owned privately without creating major rivalries and jealousies.

In 1975 American planners William L. Pereira Associates, also involved in the planning of the Umm Said industrial estate, were called in to prepare the master plan for a new town in the West Bay which, according to the brief, had to be integrated with the existing city, reflect the social and cultural preferences of the people of Qatar, present a visually exciting environment, and set a new standard of technical excellence to guide the state's future urban development.

For seven years as the land-

fill programme pressed ahead and then work began on installing roads, water and electricity, sewers and other basic infrastructure, the people of Doha lost interest in the project because there was little to attract the imagination. But in 1981 everything started to happen at once. A skeleton steel pyramid which has stood ghostlike on the point of the West Bay began to take form as the stunning Doha Sheraton hotel and conference centre.

Apartment blocks and commercial establishments like Salam Plaza and the headquarters of the Qatar General Petroleum Corporation rose from the mists to extend the city's horizon and sand yachts and sailors found new superb locations for their sports.

### Elegant

A year ago, when the Doha Sheraton was opened by the Emir, the popularity of the new development project rose overnight—for the simple reason that no one had seen such an elegant building in Doha before—and here was a place where people could stroll among greenery and fountains in an atmosphere so different from the heat and humidity outside. Since its opening the Doha Sheraton has become the main centre for government, commercial and family entertaining in the city.

On the long drive around the Corniche to the hotel and conference centre, other signs of the birth of the West Bay are now clearly visible. Just around the curve from the National Theatre with its Moorish flavour of arches and red gables, the new General Post Office is under construction. Built according to advice from the British Postal Consultancy services, the five-storey post office will have the world's first fully electronic mail systems offering rapid local and international mail and 25,000 post office boxes opened by personalised and electronic access.

A little further along the Corniche, work has started on

a second building for QGPC to house its computer operations, and a headquarters for the Gulf Organisation for Industrial Consulting, one of several Gulf bodies with headquarters in Qatar.

Qatar's largest insurance company is about to open its new premises near Salam Plaza and a host of other commercial enterprises are ready to begin construction.

Along the beach area past the Sheraton the Japanese and Kuwaitis have already taken up residence in the embassy security area where all diplomatic missions will ultimately be housed. The zone will have its own marina and other recreations. France has just invited pre-qualification for the design and construction of its new embassy and others are beginning to prepare to move in.

At the far side of the West Bay area beyond the lightning from the Corniche is the new campus for Qatar University, scheduled for first phase completion at the end of the year. The 70,000 sq m campus includes lecture facilities, laboratories, libraries, administration, and computer facilities, accommodation, and a sports complex.

The university now has 4,000 students registered at its temporary site in Madinat Khalifa but will be able to accept larger numbers once the new complex is complete.

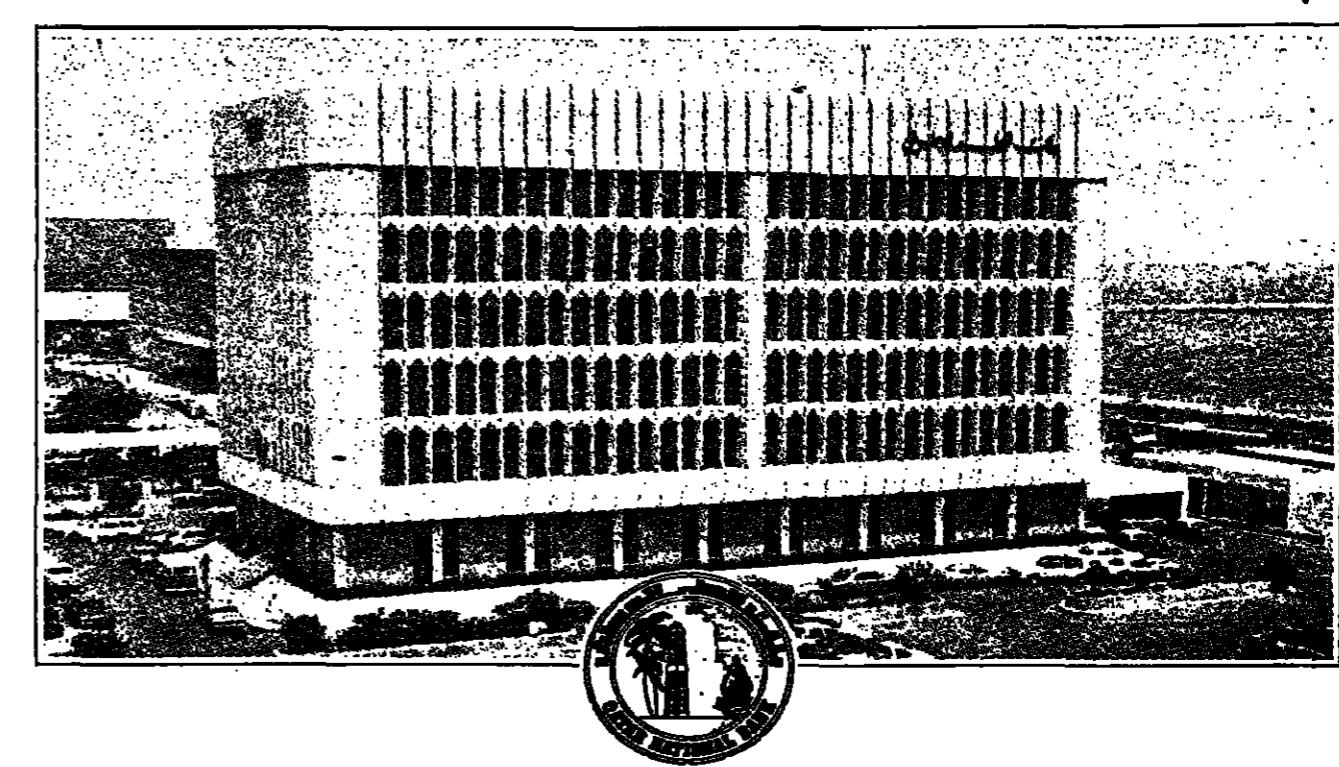
The new university, in keeping with the planning requirement that each building and complex should offer a different element in harmonious but varied architectural panorama, produces a honeycombed effect through hollow cubes. Interesting from the aesthetic point of view it is a functional design using the wind-tower principle to reduce retained heat and cut air-conditioning costs as Qatar becomes more energy-conscious.

All these major projects are likely to bring a new feeling to a city which has long seemed to lag behind its neighbours for the very good, but little understood, reason that speed is more of a disaster than a benefit when it is complete.

Designed to house 60,000 people within the next decade as Doha's expansion continues, the West Bay will have a central shopping and social complex with Friday mosque, library and other community facilities.

The suburb will also have its own 10,000 capacity sports stadium complete with Olympic-sized swimming pool and an integrated leisure centre including indoor sports, ten-pin bowling which is growing in popularity and, it is rumoured, an ice-rink.

Kenneth Whittingham



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Enlightened Ministry campaigning for creative teaching

## Education continues to expand

AT 7 AM THE loudspeakers announced to all those living within a half-mile radius that school assembly is under way at one of Doha's girls schools. The booming voice of the headmistress issued orders as the girls paraded into school to a crackling tape recording of crackling music.

Thus, another day has begun in Qatar's prolonged battle to develop a sophisticated education system capable of keeping pace with, or rather catching up with, the demands of the modern world in which it now belongs.

Qatar's Ministry of Education, set up in the mid 1950s by the present ruler, Sheikh Khalifa bin Hamad al-Thani, in his first ministerial task has taken an approach towards solving the enormous problems of education, which given the State's youth and its Arab framework, is progressive and creative.

**Traditional**  
The problems are easily defined. Before 1952 there was no formal education in Qatar. The more enlightened families sent their sons to school in Bahrain, the only school in the Gulf, and the only one in the country with which Qatar's merchants were most familiar.

For those not fortunate enough to be sent abroad for education, there was only the traditional Kufab, the religious classes at which children learn to recite the Koran by heart at the feet of a sheikh. For girls, there was no education.

In 1952, two years after the first oil flowed from Qatar's shores and a full two decades before independence was achieved, the first systematic education began with the open-

ing of a boys' school for 240 elementary pupils. By 1955, there were 4,000 boys in school and the first girl's school opened with an intake of 50. The population of Qatar was then around 25,000.

In the current academic year there are 45,730 students registered at Qatar's 139 schools and its various technical colleges and institutes.

Forty-nine per cent of the student population is female.

Qatar University has produced 2,000 graduates since it received its charter and has a current student body of 4,000.

The continuous expansion of the free state education system has involved enormous cost, and education always takes a lion's share of the state budget. In the past year alone, 19 new schools have opened in various parts of the country and the total number of teaching staff employed has risen by 10 per cent in the past year to 5,113.

The vast majority of the staff are recruited from Arab countries, mainly Egypt and Jordan, and all have to be housed. This itself created a temporary crisis in the housing market in 1982 and placed an additional burden on the massive urban development programme under way in the country, not to mention health services and other social amenities.

At current prices, the basic cost of a teacher is £1,000 a month and the system averages out at some £4,500 per year, not including the university.

Thanks to oil revenues, the finance has been made available for this important sector. But while money can provide the physical facilities for education, the content is a different matter, and it is in this respect

that the Ministry of Education is fighting a persistent and enlightened battle to introduce creative and relevant education methods.

The problem of quality of education springs from a long-standing stagnation in Arab education as a whole. Qatar, wishing correctly to ensure the preservation of its Arab-Islamic character through the education system and to escape colonial domination through the classroom, was obliged to look towards Egypt and Jordan, traditional suppliers of teachers in the Arab world, to build its education system.

**Flexibility**  
In Egypt a system largely

prevails where children learn by rote facts produced by teachers for regurgitation, for the important acquisition of certifiable creative thinking and flexibility of mind have been bypassed by the rapid pace of scientific and technological development, given that the State has to produce people capable of running its industries and administration.

An important part of raising

general education standards is the eradication of illiteracy in the parent generation who had no chance to enjoy formal education.

There are some 7,000 adults enrolled in literacy and adult education classes and the number is growing every year. Literacy courses are a minimum of one year, but the Ministry tries to persuade candidates to attend for two years, and then go on to study for the general certificate of education through evening classes. Although a few graduates from adult education centres have succeeded in advancing to the University to read for a degree.

The University is the

pinnacle of a pyramid of higher

education facilities which

include language institutes and vocational training leading to City and Guards certificates.

At the same time Qatar's top

and students continue to

receive education abroad;

this year, 142 students were

awarded scholarships to study

in Arab and other foreign

countries. The favourite coun-

try continues to be the U.S.

where 60 students are enter-

ing new courses this year.

K. C.

## QATAR VI

The country's ever-growing economy makes the field's development essential

# North Dome gas key to the future

**THE DECISION** on what to do with Qatar's massive North Dome gas field will be as financially important to the long-term future of the state as the start of oil production was way back in 1949.

Today the question has become not "if" they go ahead, but "when," because some form of development is inevitable for local power needs. By 1985-86 Qatar is likely to experience energy shortages, for there will not be enough gas to

supply the growing number of power stations and the industrial sector. The slump in world oil demand has already highlighted the vulnerability of Qatar's gas supplies. Apart from the rapidly depleting Khuff strata under the onshore fields, the country's industries are largely reliant on associated gas.

As regards revenue, the development of the North Field is vital. Qataris have come to expect an ever-growing

economy and an increasing standard of living. A slowdown on that front would pose difficult problems of national adjustment for the people as well as the regime.

Although Qatar's Emir, Sheikh Khalifa, has always avoided the political trap of providing permanent bonanza business conditions, the long period of restraint has left the merchant community hungry for something to get their teeth into.

On the other hand Qatar will be going ahead with its biggest project since the beginning of oil operations at a time when the region as a whole is experiencing its greatest period of instability with the Iran/Iraq war and the aftermath of the Israeli invasion of Lebanon.

Furthermore, if the final decision is taken to go ahead with an LNG project it will be a decision taken in defiance of the gloomy energy forecasts and the present market environment.

The current nervousness of the Middle East region as a

whole must make other potential sources such as in the Far East and Alaska more attractive to a number of possible LNG customers. Which ever way you look at the decision to go ahead will be a difficult one for the Emir.

The dimensions of the problem are due largely to the dimensions of the field. The North Field has proven reserves of gas of between 110-120,000 cu. ft. though the highest figure of 300,000 cu. ft. is slowly gaining credibility with the experts. Some analysts believe that Qatar may have already missed the boat in marketing reserves of this size, for when the Europeans decided on Soviet gas as the most appropriate market for Qatar was virtually written off.

Basically Qatar has four options on the North Field. First, there is the Wintershall

route. Wintershall, a subsidiary of the West German group BASF, holds about one fifth of the gas field identified so far in a concession and production sharing agreement. Recent drillings by the company show the field stretches to the north-east coastline, although it is thought to be somewhat lean in that area. These test drillings have been supplemented by one well at Ras Qirtas on the coast by the Qatar General Petroleum Corporation—Onshore.

That area of the reservoir, known as K2, could easily provide enough gas for Qatar's local energy needs and such a project would be relatively cheap. However, Wintershall's agreement is such that a separate project is required to be negotiated in the advent of gas discoveries and their subsequent development. Under the terms of the existing accord Wintershall is supposed to be responsible for the entire capital investment.

## Reluctant

Qatari officials say the German company is now seeking certain amendments in its agreement "to make it more economic for them." Reports indicate that the group would receive naphtha and condensates in return, though officials at the Qatar General Petroleum Corporation (QGPC) are reluctant to comment on the substance of the negotiations. However, they concede that the fact that Wintershall is required to pay all the investment is an extremely attractive option for Qatar.

The second option is to go for the heart of the North Field, to the K4 reservoir, the richest area of all. Experts point out that because the coastal areas held by Wintershall are the lean edge of the field, it would take many times more wells to secure a sizeable supply. Some argue that for

reasons of economies of scale a start in the core of the field is much more worth while. "Why go first in an area which you know will have problems," commented one expert.

The K4 area is, however, outside the Wintershall concession area. Local oilmen say it would be a fairly easy job for QGPC to take out to produce enough gas for local needs from K4. It would at the same time be more expensive. QGPC managing director Ali Jaidah says he is not strong-minded either way. "You'd have to go further into the water," he points out, "and we have to remember our legal obligations to Wintershall." However, there is continued speculation in both Europe and the Middle East that Wintershall might be more interested in selling off its rights in the field to help the company get out of the recession back in Europe.

The third option is to go for LNG. However, such projects are never embarked on without commitments from secured markets beforehand. The present gloom in the energy markets and constantly changing forecasts make predictions about the 1980s extremely difficult.

So far the Qataris have had expressions of interests from the Japanese and from British Gas. Six oil companies have put in their proposals concerning LNG possibilities and provision of local gas supplies. They are British Petroleum, Compagnie Francaise des Petroles (CFP), Royal Dutch Shell and Exxon. Exxon joined the list late, shortly after its summer exit from Libya.

The companies were asked to make proposals on possible schemes on the basis that QGPC would have a 80 per cent ownership in the actual LNG facility and 100 per cent ownership of the offshore facilities and the pipelines. The proposals were



The Umm Said refinery. Collapsed oil demand has undermined Qatar's gas supplies

followed by a round of top level discussions last November with senior officials of the company. A report is believed to have been forwarded to the Oil Minister on the merits of each offer. The whole project is being monitored by a special committee consisting of senior oil and gas officials in the Qatar Government.

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followed by a round of top level discussions last November with senior officials of the company. A report is believed to have been forwarded to the Oil Minister on the merits of each offer. The whole project is being monitored by a special committee consisting of senior oil and gas officials in the Qatar Government.

So far the Qataris have had

expressions of interests from the Japanese and from British Gas. Six oil companies have put in their proposals concerning LNG possibilities and provision of local gas supplies. They are British Petroleum, Compagnie

Royale Francaise des Petroles (CFP), Royal Dutch Shell and Exxon.

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